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LATIN AMERICAN REPORT

JUNE 1956 35c

COFFEE: is it possible for international agreements to stabilize coffee price structure?

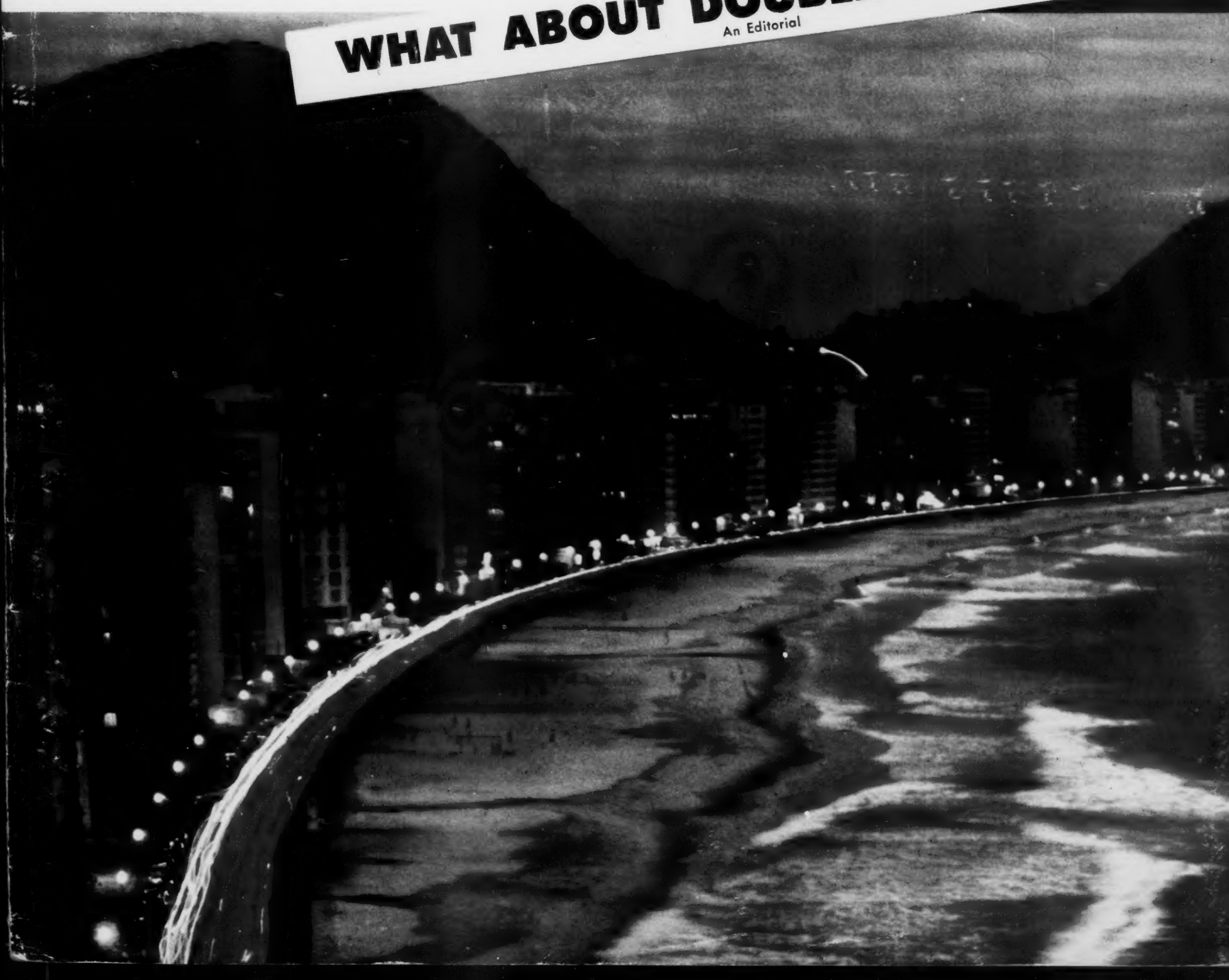
CENTRAL AMERICA: William Walker—military genius, empire builder, or history's greatest blunderer?

AVIATION: The airlines and the airplanes that changed the map of a hemisphere.

CHILE: A nation accepts austerity in an effort to regain its own economic stability.

WHAT ABOUT DOUBLE TAXATION?

An Editorial

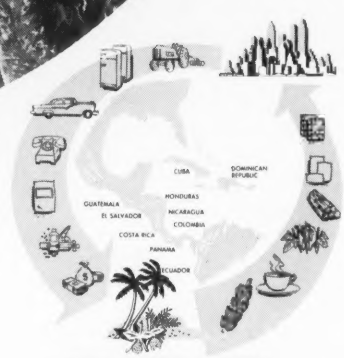


YESTERDAY THE JUNGLE . . . TODAY PRODUCING ACRES

A wasteland of trees, creeping vines and stagnant lagoons, unchanged for centuries. That was yesterday. Today by the miracle of modern machinery and trained, willing hands, the jungle is a fertile farm, producing in abundance crops needed by the Americas.

Working together, each utilizing the skills of the other, men of good will are bringing the rich earth of Central America and the great markets of North America into a living circle of trade and better living. The more commerce between the Americas, the stronger and more prosperous all of us will be.

United Fruit Company



THIS LIVING CIRCLE STRENGTHENS THE AMERICAS

United Fruit Company has been serving the Americas usefully for 55 years—employing and developing human skills, conducting extensive research, cultivating, transporting and selling bananas, sugar and other crops, and expediting communications.

OUTLOOK

ARGENTINA

It may require some time but the signs all point to a stronger Argentina before year's end. The truly significant aspect is that Argentinians themselves have a new feeling of confidence—in contrast to the deep pessimism which prevailed during the final days of the Juan Domingo Peron regime. Argentina is a country still throwing off years of dictatorial rule . . . but a start to restore the country has been made and is continuing. The word now is this. *Watch Argentina.*

Here are some specifics which justify the new feelings of confidence:

- Restoration of the "original" constitution of 1853 and abolition of the Peron constitution of 1949. Some changes: abolition of the provision which permits re-election of a president while in office; abolition of the article which gave the state the authority to intervene and monopolize any business activity, including state ownership of subsurface resources and natural sources of energy.
- Approval of the Caracas conference declaration against Communism.
- Decision to streamline the government by decentralization of the executive branch and elimination of bureaucratic bottlenecks.
- Announcement that private capital is welcome to assist in the expansion of commercial airlines within the country. This will end the monopoly of the state airline established by Peron.

In the first three months of 1956, corporate investments were up 34 percent over the same period last year.

BRAZIL

This will provoke official denials—but opinion is that Juscelino Kubitschek, Brazil's president, definitely wants the Brazilian Congress to amend present laws which keep foreigners out of the oil industry. Present pattern is this: do a little talking here, make some suggestions there, and then wait for public opinion to change. In time, public mandate will allow Kubitschek to ask for the necessary Congressional amendments. Kubitschek's reasoning is that Brazil is not in any position to enjoy the luxury of saying the "oil is ours" while some $300,000,000 is spent annually on petroleum imports.

Importation of automobiles is now almost as controversial as petroleum. Problem is two-fold: new automobiles not only soak up needed foreign exchange dollars, but they also result in greater consumption of gasoline. Despite this, Brazilians love automobiles—the bigger the better. Cadillacs, Lincolns, big Chryslers all are in terrific demand. Brazilians will pay as high as $15,000 for a Cadillac, $9,000 for a new Chevrolet. This demand has produced a terrific illegal trade. Everybody is talking about doing something about it—yet the flow of cars continues. One Swedish steamer was denied permission to dock because word spread that it was carrying more than 200 illegal cars. Despite all official efforts 400 cars, without import permits, arrived in January and February, and 150 in the first 10 days of March—and the flood remains unchecked.

The tourist bug is starting to bite various localities other than famed Rio. Bahía has earmarked a small fund to tell tourists about the beauty of the city. Belem, located near one of the many mouths of the mighty Amazon, is also getting the fever. Businessmen are arguing that the Amazon, as one of the world's most famous rivers, must gain greater recognition.

COLOMBIA

Foreign exchange statistics, which show that Colombia owes nearly $200,000,000 — mostly to United States firms—should not be regarded as a barometer of the actual state of business. Cold figures seem to indicate real economic problems. This is not the case.

Colombia's real problem stems from rapid growth. Consumer demand has become so great that the $500,000,000 which coffee earns annually simply is not enough. To meet this problem a vigorous industrialization pattern is emerging aimed toward the reduction of present dependence on foreign imports as much as possible. This industrial growth is manifest in all parts of the nation—Bogota, Medellín, Cali, Cartagena, Barranquilla. Large United States firms, cognizant of this change, either have already established assembly plants within the country, or have plans for such installations. Oil could prove a shot in the arm within the near future. Two United States groups have just been granted concessions—one to rework old and known fields; the other to explore offshore drilling.

COSTA RICA

Shipping men say real progress was recorded at the recent meeting of port authorities in San Jose. Big accomplishment: establishment of a permanent committee which will handle all port problems and will attempt proper remedial action. Biggest problems facing the new committee: port congestion, obsolescent harbor facilities, antiquated practices. Consensus was that many of the complicated port regulations could and should be eliminated. Standardization, as far as possible, would do much to accelerate trade among the American nations. Standardization would result in real savings and be helpful to all.

CUBA

Cuba is posing a real problem for Washington. Question is what to do about former presidents who return to their native countries, get involved in political gymnastics and then seek re-admission to the United States.

Case in point: Carlos Prio Socarras, former president of Cuba. Prio was in Cuba when the attempt was made to overthrow Fulgencio Batista. Prio was arrested, released and then suddenly appeared at Miami's International Airport with only an extra shirt, and

an extra pair of shoes. *Prio's story:* He was forced out of Cuba by the National Police. *Batista's story:* Prio had the choice of standing trial in Cuba courts or leaving the country. *Washington's problem:* Did Carlos Prio Socarras violate the Neutrality Act, and if he did, should he be permitted to remain in the United States? Immigration authorities in Washington are irate; State Department spokesmen are silent.

On the business side, the word is to watch oil development on the island. The oil talk began in March when announcement was made that natural gas, in good commercial quantity, had been discovered. Since then the oil talk has reached boom proportions. Cuban petroleum production is still small but percentage-wise the industry is really looking up. In 1954 oil production averaged around 156 barrels daily; now the figure is 1650 barrels. Recent liberal oil legislation has resulted in a dozen or more companies making geophysical surveys and exploratory drilling in many parts of the island. In keeping with the more favorable prospects the Cuban Division of Esso Standard Oil Company has announced a $30,000,000 expansion of the big Belot refinery beside Havana harbor. When completed, plant capacity will jump from 9,000 barrels to 35,000 barrels daily.

ECUADOR

Unlike neighboring Colombia and Peru, where the accent is on industry, Ecuador is emphasizing agricultural development. Much attention is being given to coffee, cacao and bananas. Other products, such as potatoes and ingredients for insecticides also are being stressed. The cattle industry is beginning to flourish along with poultry. Ecuador's aim: to be in a position to supply the growing agricultural needs of industrialized Colombia and Peru. Oil possibilities loom.

BOLIVIA

Official statements, with but one lone exception, point to developing economic difficulties which, in turn, could lead to political troubles. And all of this at a time when Bolivia is in the midst of presidential elections. First indication of economic difficulties came when President Victor Paz Estenssoro stood before thousands of his followers and admitted that nationalization of the great tin mines has been an economic failure. Bad prices, low-grade ores and "undisciplined workers" were blamed. It represented a terrifically difficult admission because four years ago a revolution swept Paz Estenssoro into power on his promise to nationalize the tin industry. This bit of bad news was followed by a Ministry of Agriculture forecast of a significant decline in farm production. *The prediction:* a 13 percent drop. *The reason:* drought and frost. *The one favorable note:* announcement by Gulf Oil Company that it would invest $40,000,000 for pipeline construction in return for a 40-year government contract calling for exploitation of oil on a million acre tract previously held by the state oil monopoly.

EL SALVADOR

El Salvador's new president, Jose María Lemus, does not have to worry about Congressional approval on measures he advocates. As a result of elections, his government party now enjoys a complete majority in Congress.

Congress—What Say You

Upon the completion of an extensive tour of the Americas such as I have just made—particularly when it includes Mexico, Central America, all of South America and the Caribbean—inevitably the first question is this:

What factors have retarded trade and the flow of investments southward?

The three most important answers which cannot be avoided are these:

1) Extreme nationalism
2) Lack of knowledge
3) Double taxation

The first two have been explored, re-explored, and discussed to the ultimate. Double taxation also has been subject to much discussion in private business and in legislative circles. And yet, as a hemisphere-wide problem, it is possibly the most important single issue.

It might be well at this moment to recall what has occurred in the past. Harry S. Truman, when he was president of the United States, offered a very glib explanation of why more foreign aid was extended to Europe than to the Americas. Europe, he said, had been devastated while the Americas simply were underveloped. Rehabilitation of a devastated area, he insisted, was a function for government, the United States Government; but development of an underdeveloped area was a matter for private enterprise.

Yet President Truman did nothing to ease the tax burden that would have justified the flow of venture capital into these underdeveloped areas of the other Americas. He was asking Americans to take the chance, but was offering them nothing in return.

President Eisenhower sent his brother Milton Eisenhower on a tour of the other Americas to explain why we had to help European nations rather than help them. Meticulously, Dr. Milton Eisenhower told his story. If the other Americas cooperated by easing off on extreme nationalism among other things, the flow of private capital would cascade into flood proportions.

But there still remained the perplexing issue of double taxation. Why earn 100 percent in Brazil or Venezuela or Argentina if the investors remain subject to the income tax laws of the United States?

The immigration laws of the United States, taking cognizance of the differences that exist between Europe and the other Americas, make a definite distinction. For Europeans we have the quota system. For nationals of the other Americas, no such quota system prevails.

Thus why not eliminate double taxation on the same basis? Certainly Europe does not need our know-how, our technicians, our capital to the same extent that the other Americas require this type of help.

So why not then a double taxation law based on geographic areas? If a corporation or an individual puts money into an unexplored, underdeveloped region, the corporation or the individual is certainly entitled to more consideration than when money is invested in proven industries and proven areas. If we can differentiate on foreign aid as between a devastated area and an underdeveloped area, why can not the same pattern be followed when it comes to the all important issue of double taxation?

It is now up to Congress to determine by law whether Congressmen consider the Americas as important as they say they do.

Wm. G. Gaudet

PUBLISHER

LATIN AMERICAN REPORT

Published monthly to record and interpret the changing history of our hemisphere.

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Contents

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THIS MONTH'S COVER:
Rio de Janeiro's beautiful Copacabana Beach. Photograph by PanAmerican Airways

WASHINGTON LETTER

June, 1956
Washington, D. C.

Washington, which used the old "get together" pattern during World War II as a device to ease international problems, now recognizes that the plan can produce excellent results. The old idea got a real shot in the arm when General Eisenhower invited the President of Mexico and the Prime Minister of Canada to meet informally with him.

On tap now is the projected meeting in Panama of all the presidents of all the Americas. The get-together is slated to be held this month. Elections may keep some away but the outlook is that a majority will attend.

Word in Washington is that if this Panama meeting goes off without any real headaches, a whole rash of comparable conferences well may be expected.

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Texas as usual will not allow itself to be out-maneuvered. To twenty Latin American ambassadors stationed in Washington went a gilt-edged invitation to a three-day party sponsored by Southern Methodist University. Seventeen who could make the trip were flown by the United States Air Force to Dallas. Greeted upon arrival with a $40.00 complimentary Stetson, the envoys were swept on a merry whirl of Texas hospitality.

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Texas oil money is making itself felt in the nation's capital in still another way. A three man corporation, called Caribbean Development Company, has now opened offices in Washington with this avowed purpose: to provide United States know-how and capital in underdeveloped lands in the Caribbean area. President is Roy B. Kelly, Washington attorney prominently identified with the oil industry. Other stockholders: Consulting Petroleum Engineer Cecil Hagen; Houston oilman Clint Murchison of Dallas.

First project is $4,500,000 flour mill in Haiti. Allis-Chalmers, armed with a construction contract, expects operation by January, 1957. Note: Haiti grows no wheat, but big saving is that wheat shipped as bulk cargo goes loose in ship's hold. This eliminates many expensive handlings.

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The Ciudad Trujillo OAS Conference on Territorial Waters, which had

official Washington on tenterhooks, produced the results predicted in the Washington Letter a few days before the Conference opened.

The Latin Americans were far more conciliatory than at the earlier meeting in Mexico City. The effect of the Mexico City resolution giving each state unilateral right to set its international boundaries as far at sea as it cares to, was sharply modified.

Everybody saved face.

Most important action from United States view was modification of Mexico City declaration. This was achieved by ingenious maneuvering: unanimous agreement that there could be no agreement on that point. Since this represents an official act by the entire OAS membership, the Mexico City declaration loses much of its legal punch. In the fall this will be important when the United Nations General Assembly takes up the question of territorial waters on a worldwide basis.

On the side of positive accomplishment, agreement was obtained that exploitation of the sea-bed and subsoil of the continental shelf and insular terrace is the exclusive right of the adjacent coastal state. This means only Brazil has the right to drill for oil off the Brazilian coast, Venezuela off the Venezuelan coast, etc. Not settled: ownership of the waters above the sea-bed, including the issue of who has the right to fish.

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Reports reaching Washington have it that the Tourist Congress, recently held in San Jose, Costa Rica, produced more than a round of handshaking. Latin American countries who have eased tourist travel requirements used the conference as a sounding board for some well-worded bragging. Brazil, which at one time had a cumbersome tourist set-up, was most loquacious about its new, simplified tourist travel card. Nations still bogged down with pre-historic regulations were silent. In sum: growing awareness of the importance of the tourist dollar.

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Official Washington has some pungent things to say on a strictly unofficial basis regarding the recent official visit of Brazilian Vice President Joao Goulart. Goulart may not be a Communist, but he is the darling of the Brazilian Communists. And Goulart personally was invited by Vice President Richard Nixon. Nixon, no Communist, is not the darling of United States Communists.

LETTERS

Mexico Route

Dear Sir:

Your first issue came to me as a pleasant surprise with the interesting articles and fine art work.

You will find the card enclosed so that I won't miss any issues.

By the way, you may know why no airline can fly direct between Mexico City and New Orleans. Last year Senator Ellender put out some news on this topic, and I found he had not taken into consideration the fact that U. S. airlines operate direct flights from Texas cities to Mexico City. He has merely assumed that the flights of Mexicana to Los Angeles indicated the Mexicans should allow U. S. airlines to ply from New Orleans.

My suspicion is that the U. S. Airlines now operating from Texas do not want any permit from New Orleans, as some other line would probably get it and take their business away. Also I suppose The Mexicana would only trade if they had a permit to fly this route too. I hope something can be done to break this deadlock. Your views might help if your 'Report' could carry the story.

EARL L. SYMES
Associate Editor
The Sugar Journal
Baton Rouge, La.

EDITOR'S NOTE: We are carrying an aviation story this month. We are afraid, however, that a new route to Mexico City is up to the U. S. State Department.

Bouquets

Dear Sir:

The Colombian Government and specially H. E. The President, General Gustavo Rojas Pinilla, are aware of interesting articles which you have been publishing on Colombia . . . and therefore, wish to make known to you, through me, their deep feelings of gratitude for your opinions shown in them about the political problems of my Country and of its President, opinions which are much more important when they come from a person as well informed as yourself, who had the opportunity of personally becoming acquainted with the Colombian reality in the different aspects of its national life.

Writers such as you give honor to journalism in the Continent, contribute to create a frank atmosphere of good will between Latin America and the United States, and pay homage to the truth which should be the norm followed by all public writers.

PABLO JOSE CERVERA
Consul General
Consulado General De Colombia
New Orleans, Louisiana

Dear Sir:

I just bought my issue of the first "Latin American Report" Volume 1—No. 1 and I'm subscribing for it right away. Its a wonderful book.

ANTOINETTE JIMENEZ
Winters, Calif.

Dear Sir:

I had the chance of reading the second issue of your Latin American Report, and I liked it very much. I think that it is a must!

So, please, enter my subscription since the Number 1 issue, because I do not want to miss one issue.

REV. EDGAR ROCHA, D.D. S.D.B.
Oakland 1, Calif.

Dear Sir:

As one long interested in inter-American affairs, I welcome the appearance of a current magazine in this neglected field. I found the April issue timely and attractive, and I hope this venture proves profitable enough to include even more extensive and searching feature articles.

MRS. GABRIELLE A. JAFFE
New York 9, N. Y.

EDITOR'S NOTE: We share your hopes.

Dear Sir:

I am a new subscriber to your magazine. I enjoyed my first copy so much I am only sorry my subscription began with Vol. 1, No. 2 instead of the first issue.

ROBERT W. TWYMAN
Assoc. Prof. of History
Bowling Green State University
Bowling Green, Ohio.

Dear Sir:

Many of us here in Los Angeles are very happy that you have been able to put out so valuable a magazine.

I am very much interested in Bolivia. Could we get a good article about Bolivia, especially about the new farm-and cattlelands along the new railroad from Villa Montez to Santa Cruz and up north to the mouths of navigable rivers?

ALEX STARBY
Los Angeles 13, Calif.

EDITOR'S NOTE: You can and you will.

Dear Sir:

Most sincere congratulations for your splendid publication and more so for your objectives and ideals.

Keenly interested myself in Latin-America for almost thirty-five years. I am now Chairman after being President for nine years of a Montreal organization founded in 1940. L'Union des Latins d'Amerique is the name.

Again, congratulations and best of luck. You surely deserve it.

U. H. MITCHELL
Montreal 8, P.Q.,
Canada

EDITOR'S NOTE TO ALL:
The congratulations are appreciated.

Dear Sir:

I have enjoyed the first two issues of LATIN AMERICAN REPORT, and your "Opportunities for Investment" column should be of interest to all Americans. In my opinion, more general interest in your opportunities could be generated by your publishing general surveys of the investment climate country by country.

Such surveys could take one country at a time and compare its interest rates, stock prices, industrial expansion, etc., with U. S. conditions in specific industries. . . .

Yours sincerely,
CHARLES EKKER
Louisiana State University
Baton Rouge 3, Louisiana

OPPORTUNITIES F

Supermarket . . . Paper Mill . . .
Gold Mining . . . Electric Appliances . . .
Box Manufacture . . . Map

(Publication of offerings does not necessarily constitute either endorsement or recommendation by the publishers.

Available additional details may be obtained by writing to the Director, Investment Proposals, Latin American Reports, Inc., P. O. Box 2567, New Orleans 16, Louisiana.)

BOLIVIA

Gold Mining

Proposal: To finance expansion project on operating gold mine in Yungas Valley. One thousand hectares of veins and placers. Average grade in veins: 40 to 50 grams per ton. In placers: 10 grams per ton.

Desires capital investment of $100,000 to construct plant consisting of mill and concentration outfit to treat 50 tons of ore per 24-hour day; also to purchase transport trucks and build camp installations.

Terms: A 5-year loan or partnership on 49 percent basis.

Background: Large and well located gold deposits, 80 miles by road from La Paz, approximately 6000 feet above sea level in good, subtropical climate. Presently operating with small pilot plant treating 10 tons of ore per day. Owners experienced mine operators. Dirección General de Minas of Bolivia can offer guarantee of proposition based on geological surveys and mine preparation. Legal advice obtainable upon request.

CHILE

The Supermarket

Proposal: To finance supermarket chain in ten principal towns of Chile. Desires capital investment of $30,000 on partnership basis; exact terms to be established through personal negotiation.

Background: Company now in formation. Direct contracts with poultry and vegetable farms in Chile to be made and installations to be built.

Outlook: Prospects appear especially favorable inasmuch as the supermarket has not yet touched Chile and there is no existing competition. This merchandizing technique has been extremely successful in many Latin American countries and there seems to be no reason why Chile should be an exception.

Service Station

Proposal: To finance service station in mid-Santiago. Loan in amount of $10,000 required with full repayment in 4 years. Twenty-five percent interest per year on capital, payable in free exportable dollars.

Terms of investment open; partnership to be considered. Guarantee: mortgage to be given on service station ground and on installation itself; investor to hold lease contract with COPEC (Chilean Petroleum).

Background: Lease already granted by COPEC. Venture to be undertaken by a highly reputable and experienced technician.

Outlook: This appears to be a sound investment with excellent prospects. Technician counting on patronage by long-established clientele.

COLOMBIA

Box Manufacture

Proposal: To finance the expansion of existing plant in Bogotá to include manufacture of corrugated cardboard boxes.

Capital investment of $100,000 required for purchase of additional equipment to allow the manufacture of a complete range of packing boxes.

Terms: Owner and manager would consider a medium or long-term loan, but prefer a partner who could offer technical assistance. Division of profits to be left for personal negotiation.

Background: Present activities of firm include manufacture of lightweight folding boxes for pastry, etc. Established in 1955, the company now wants to move into production of corrugated cardboard boxes. Cardboard is partly imported; heavier qualities are purchased from paper mill in Cali.

Outlook: Good. The corrugated cardboard box is still relatively novel, but is fast becoming popular. There

FOR INVESTMENT

are a number of other cardboard box makers, but indications are that the market is large enough to support all of them and that this particular company is in an advantageous position —competition-wise—with an ample margin of profits, due to savings in freight, efficient operation, and increased demands for the product.

Stamping Operation and Stationery Supplies

Proposal: To finance expansion of a plant engaged primarily in stamping of aluminum seals for rubber-stopper bottles and secondarily in bookbinding and small-scale manufacture of a variety of stationery items.

Capital required is $10,000 on a partnership basis. Technical assistance desired at least until expanded plant is running smoothly and the staff has absorbed the required additional training. Profit sharing and management to be settled by personal negotiation.

Capital to be used for purchase of additional dies and equipment to: 1) improve finished product now being manufactured; 2) explore other facets in the range of aluminum seals; 3) stock aluminum sheet metal.

Background: Present investment in entire firm, which has been in operation for 6 years, is about $32,000, including medium-size building. There are now 3 employees involved in the stamping operation. Dies and stamping press were designed and made locally.

Outlook: Contended to be very favorable. There is virtually no competition and quantities of seals are still being imported at high-duty rates. With expanded facilities, owner feels a better product can be manufactured and sales substantially increased.

Paper Mill

Proposal: To finance the construction of a mill to manufacture lightweight and corrugated cardboard.

Capital investment desired estimated at one million dollars, with local Colombian sources to contribute up to 50 percent.

Background: Waste paper is purchase in Bogotá (the country's largest supplier); bagasse from sugar mills in the Magdalena River Valley, near Bogotá; cellulose is imported.

Estimated cost of raw material is $16 per ton and selling price of finished lightweight cardboard is about $280 per ton.

Outlook: This is a new venture and above figures are based on operations at the only existing mill in Colombia to date. It is expected that this mill, located in Cali, would be substantial competition to the proposed company. However, prospects appear very favorable with indications that the market is growing at a rate which will soon call for two strong companies.

There are already many potential large customers for the new plant, to be established in the Magdalena Valley. Also, this location appears advantageous for competing with the Cali mill because of lower freight rates to and from Bogotá (on the raw materials and finished products, respectively), and to the eastern part of the country, and will probably have competitive freight rates down the Magdalena River to Barranquilla and Cartagena.

GUATEMALA

Electric Appliances

Proposal: To finance expansion of a company now engaged in wholesaling and retailing car radios, phonographs, high fidelity and sound equipment, TV, coin-operated machines, and complete line of repair parts for above.

Desires capital investment of $60,000, on stock participation basis.

Proposed disposition of capital: 1) To purchase a site and construct a building in the business district with space for display, sales office, and repair departments. 2) To expand most profitable merchandise lines and add refrigeration.

Background: Long-established company enjoying an excellent reputation and selling throughout Guatemala. Besides the stockholding managerial staff, there are fourteen employees, including experienced repair technicians. After expansion, plan is to retain present location as branch store.

Outlook: Sales have grown steadily over the last few years, and especially in the past 18 months with the general increase in commercial activity in Guatemala due to democratic government, increased population and purchasing power, diversified agriculture, and petroleum exploration.

Completion of a highway system in the Republic will open new agricultural and cattle country and create new markets. Coin-operated machines are in great demand and initiation of an electrification program in outlying areas should provide a larger market for refrigeration.

Owners feel confident of doubling sales volume in less than 5 years.

FLORIDA

Caribbean Map Promotion

Proposal: To expand distribution of a colored pictorial and historic map of the Caribbean area. Approximately $5,000 required, plus the assistance of a person with public relations and promotion experience. Airline captain has already prepared several of these maps in color and has amortized the investment, but feels with additional capital and promotion, many more sales are inevitable.

COMMERCIAL AVIATION

KEY TO A CONTINENT

Bridge to a Continent

A major pacesetter for Latin America's bustling economic and industrial growth is the continent's own commercial aviation, whose wing spread has gained remarkable proportion in the past decade.

Consider these items:

—At the end of World War II, only three comparatively short foreign routes were being flown by Latin American lines. Today, there are at least a dozen Latin carriers whose combined international flights can deliver passengers or cargo to almost any point in the United States or Europe.

—In 1947, airlines operating in Central and South America flew over routes totaling 199,768 miles as they carried 2,714,584 passengers. Last year one line alone carried nearly half that number of passengers.

—New airports, capable of meeting the demands of the jet age, have been blue-printed or are under construction already in the Dominican Republic, Colombia, Puerto Rico and elsewhere.

These signs of progress are taken for granted by Latinos to whom the airplane has become more familiar than the locomotive or the highway truck. In a region where sky-scraping mountain ranges seriously retarded the development of land transportation, the inception of commercial aviation some 35 years ago soon provided the answer. It could ford the swollen rivers in the rainy season, cross the wildest jungle and scale the highest peaks—all with a payload on its back.

OPEN SESAME. Without the airplane, much of Latin America's great natural wealth would still be untapped. Minerals from the Andes, rubber and medicinal plants from the jungles, farm produce, livestock and the exotic flora and fauna of the tropics all have been airlifted in increasing quantities from remoteness into the channels of commerce.

Through these operations, which have virtually opened the door to many regions, the contribution of commercial aviation to the economic growth of Latin America is incalculable. Manifestly it is reflected, however, in both the balance sheets of nations and their respective airlines. The relationship is direct and simple: Increased business activity means greater demands on the airlines—which spells more passenger and cargo traffic, hence prosperity all around.

In Colombia, which has been riding an economic crest of prosperity, Aerovias Nacionales de Colombia (AVIANCA) has set a world cargo lift record in terms of volume for five consecutive years: In 1954 its planes lifted 113,000 tons of freight, a 10 percent jump over the previous year. Peru's Compañia de Aviación Faucett, whose operations are entirely domestic, transported 130,219 passengers in 1954. Two years earlier the figure stood at a little over 110,000. Similarly encouraging statistics are reported from Mexico, Cuba, Bolivia and Brazil. In short, the order of the day is expansion of service in terms of new equipment and new routes both at home and abroad.

The big push is on international traffic, particularly toward the United States. Every day flag-carriers from Venezuela, Colombia, Argentina, Brazil, Cuba, and Mexico touch base either at New York, Miami, or New Orleans. Canada too is being plumbed from Mexico via Los Angeles and the west coast.

So too the Atlantic is being bridged by Aerolineas Argentinas, Avianca, Cubana, Venezuela's LAV, and Panair do Brasil with regular flights to various European cities. Real-Aerovias reportedly is negotiating for a trans-Pacific route to Tokyo. And meanwhile, a continuing emphasis on bread and butter runs within Latin America itself, such as the Montevideo-Buenos Aires-Rio link maintained by PLUNA of Uruguay, and Santiago's tie with Buenos Aires and Lima through Chile's Linea Aerea Nacional.

COMPETITION MEANS EXTRA PLUS. With the lengthening shadow of these various lines now probing trans-oceanic routes as well as blanketing the continent, the future holds a question. Has this expansion been urged by sound reasons of economic need; is it symptomatic of healthy growth, or is it speculative pump

priming? More to the point, through these expanding operations can the Latin lines hold their own against foreign competition, much of which is well-entrenched in the lucrative Latin American travel market.

So far as the passenger traffic bonanza is concerned the answer in part is efficient, up-to-date service *plus*. The "up-to-dateness" means luxury Super Constellations, according to a VARIG official whose line seeks a 50 percent slice of the Rio-New York run. The "plus" is extra service in terms of elegant food and drink, multi-lingual crews to aid passengers in English, Spanish, French, German or Portuguese. And most important, special assistance and guidance for travelers entering the United States for the first time. Thus between sprucing up service and striking sparks with a variety of promotional schemes stimulating more air travel, successful inroads are being made into the highly competitive inter-continental runs.

But the hole card on which Latin American airlines are betting heavily for customer attraction is tomorrow's aircraft today.

Already in service or promised for delivery within the next 24 months:

—Three turbo-prop Vickers Viscounts and two Super Constellations for Cubana's runs from Havana to Miami and New York.

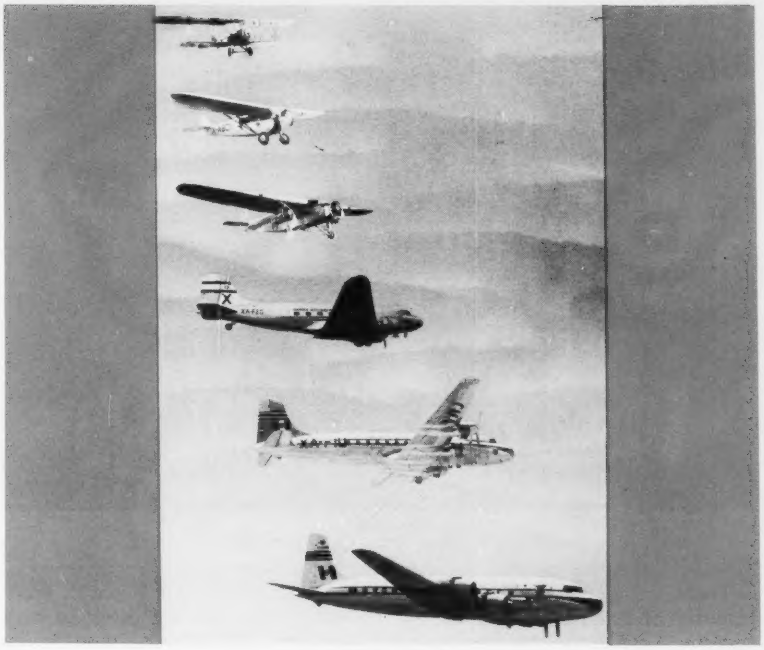
—Four Douglas DC-7Cs for Mexicana.

—Three Super Constellations for VARIG'S Rio-New York run. Four Convair 240s for domestic service.

—Three Viscounts for Uruguay's PLUNA.

—Three Viscounts and a Super Constellation for Venezuela's LAV.

—Three Douglas DC-6Bs for Chile's Linea Aerea Nacional.



Progress in flight

And jets too will be in operation by 1960, thereby staying abreast of major U. S. Flag-carriers. All of which has paid off according to the passenger manifests which show head count increases of anywhere from 12-to-20 percent over the past two years.

ANY CARGO, ANYWHERE. The real work horse of the Latin American skyways, however, is still the cargo liner and its collateral service—interurban transportation between the Andes and the lowlands. This is the "farm to market" road that means so much to each nation's economy. Raw materials of every description are being hauled out, along with an ever increasing volume of livestock, farm produce, and any number of exotic items such as snakes, tropical fish and monkeys. And on the return payload, manufactured products and consumer goods of all types. The list is legion. As spelled out by a Colombian airline traffic manager recently, "I can tell you more quickly what we don't handle. That's anything that can't be squeezed into a plane."

The same holds true for the major inter-American cargo handlers. Every day greater numbers of U. S. exporters, in beefing up their Latin American business volume, are finding it more expeditious and—in the long run—more economical to ship many commodities by air. Pan American, for one, is anticipating such a growth in air cargo this year that it has doubled its cargo advertising and increased its cargo sales personnel by 30 per cent.

. . . Extras Plus

Anywhere . . .

Traditionally, cargo has been the mainstay of Latin American air operations. Typical was the situation in Colombia at the close of World War I, when a group of German and Colombian businessmen saw in the airplane a means of prodding the country's transportation system out of the 19th century—and making some money in the process. The resulting pioneer venture was SCADTA—Sociedad Colombo-Alemana de Transportes Aereos, the first airline organized in the Western Hemisphere. Actual service began in September, 1920, with two rickety German Junker all-metal seaplanes. Although cargo-ferrying was the wobbly backbone of this new enterprise (1870 lbs. were moved that first year), SCADTA also carried aloft some 12 valiant souls as passengers the first year. By 1930, SCADTA was convincing 4,800 Colombians that flying was practical and safe, while cargo manifests had swelled to a million pounds.

The Germans, meanwhile, were pioneering aviation elsewhere in Latin America. A group of German colonists in Bolivia founded Lloyd Aereo Boliviano in 1925. Two years later an affiliate of the old Deutsche Lufthansa blossomed in Brazil as the Kondor Syndikat.

BARNSTORMING TRAILBLAZERS. At the same time, the challenge of Latin America lured a number of adventurous careers led them almost dare-devil open-cockpit fliers whose unwittingly to success in commercial aviation.

Among the better known of the breed were Lowell Yerex and Elmer "Slim" Faucett. Yerex, a New Zealander, came to Honduras via the University of Indiana, a hitch with the Royal Canadian Air Force in World War I and a postwar career of barnstorming with a flying circus. Taxiing mining prospectors by air to Central America led Yerex to Honduras, where in due course he founded—with a second-hand, five-passenger Stinson—Transportes Aereos Centroamericanos, the forerunner of today's TACA International Airlines.

"Slim" Faucett, a New York farmer who learned to fly on his own, made it to Peru on a job assignment. When the job fell through, he decided to stay in the country, becoming in short order a celebrity by flying a single-engine Curtiss from Lima to Iquitos, the isolated capital of Peru's Amazon headwater country. Out of this feat emerged Compañia de Aviación Faucett, a line tailored to the specific needs of Peru. Still the only important airline of the country, it has served Peru well, pulling its far-flung communities within hours of each other, knitting its economic and cultural threads into an identifiable national pattern. In tribute, Eduardo Dibos, three times mayor of Lima, said of Faucett, "Every Peruvian is his grateful debtor. He unlocked two-thirds of our country."

Meanwhile, others were pioneering commercial aviation elsewhere. Two United States pilots organized the Compañia Mexicana de Aviación in 1924. By the early Thirties, Pan-American had penetrated southward to Santiago de Chile from its Miami base in a telling preview of the vast network it was to establish. Here a pattern of business operations emerged that not only facilitated Pan American's tremendous growth, but in due course enabled a signal service in the interest of Hemispheric defense. Specifically, Pan American struck agreements in various Latin nations with local corporations to act as agents and to handle ground services, thereby obtaining governmental approval down the line through the stimulation of local commercial enterprise.

In consequence, Pan American was in a particular position of strength to curb Nazi Germany's commercial air penetration of Latin America when German-controlled lines in the proximity of the strategic Panama Canal were causing great concern to the United States. With gentle assists from Washington where necessary, PAA spearheaded the successful effort to turn back Germany's air operations in the New World.

Thus SCADTA, de-Germanified, became AVIANCA, with PAA holding almost 50% of the stock. The Ecuadorean-German line SEDTA and Bolivia's Lloyd were taken over by Panagra. In Brazil, the government stepped in to terminate the Kondor Syndikat, which had some 8,500 miles of airways throughout Brazil, Argentina and Chile. Most of its routes fell to Panair do Brasil, a PAA subsidiary.

In the post-World War II period, however, there has been a progressive reduction of PAA's ownership interests in these various airlines, which is symptomatic of the times. Characteristically, Latin governments, while still maintaining a liberal attitude toward the operations of foreign lines, are seeking to bring ownership home as much as possible.

BID FOR THE FUTURE. In some instances this means substantial aid to local airlines; either straight subsidies

Any cargo

(e. g. Brazil is expected to dole out $2.5 million to its airlines this year, a $200,000 increase over last year), or a direct easing of financial burdens by taking over the management, maintenance and improvement of airports. While not a few Latin governments are in the airline business themselves.

For air-minded Latinos, the age of aviation now is really at hand. A means to develop the tremendous economic potential of each country, and to assume positions of strength in international trade. In a speech last year signaling Bogota's proposed $15,000,000 airport, the Minister of Public Works, Ruben Piedrahita Arango said, "Colombia is the corner lot of South America . . . the gateway to the continent. But, despite the tremendous development of our domestic airways, admittedly we are relegated to a secondary position in the international market. We can expect to capture a greater share of that market . . . with proper facilities . . . one of which is this new airport."

Mr. Piedrahita's words reflect the awareness that exists, not only in Colombia, but throughout Latin America. The goods, tourists, and prestige that an efficient, modern flag-carrier can bring to a country are almost inestimable. Latin airlines through their sizeable investments, new equipment and efficient managements, are bidding vigorously for a larger share of these values.

Clearly they are confident they will get it.

OLD—1929 / 1956—New

Pan American Airways, Inc.
Miami to Panama

	1st Day
Lv. Miami, Fla.	**7:00 AM**
Ar. Havana, Cuba	9.45 AM
Lv. Havana, Cuba	10:45 AM
Ar. La Fe, Cuba	12:15 PM
Lv. La Fe, Cuba	12:45 PM
Ar. Cozumel, Yucatan	1:45 PM
Lv. Cozumel, Yucatan	2:15 PM
Ar. Belize, B. H.	4:30 PM
	2nd Day
Lv. Belize, B. H.	7:00 AM
Ar. Tela, Honduras	8:30 AM
Lv. Tela, Honduras	9:30 AM
Ar. Managua, Nic.	1:00 PM
	3rd Day
Lv. Managua, Nic.	7:00 AM
Ar. David, Panama	11:30 AM
Lv. David, Panama	12:30 PM
Ar. Cristobal, Canal Zone	**3:00 PM**

3 DAYS

Pan American World Airways, Inc.
Miami to Panama

Lv. Miami, Fla.	**10:30 PM EST**
NON STOP	
Ar. Cristobal, Canal Zone	**2:25 AM CST**

4 HOURS 55 MINUTES

Pan American Airways, Inc.
Miami to Managua — Via Belize

	1st Day
Lv. Miami, Fla.	**7:00 AM**
Ar. Havana, Cuba	9:45 AM
Lv. Havana, Cuba	10:45 AM
Ar. La Fe, Cuba	12:15 PM
Lv. La Fe, Cuba	12:45 PM
Ar. Cozumel, Yucatan	1:45 PM
Lv. Cozumel, Yucatan	2:15 PM
Ar. Belize, B. H.	4:30 PM
	2nd Day
Lv. Belize, B. H.	7:00 AM
Ar. Tela, Honduras	8:30 AM
Lv. Tela, Honduras	9:30 AM
Ar. Managua, Nic.	**1:00 PM**

2 DAYS

Taca International Airlines
New Orleans to Managua — Via Belize

Lv. New Orleans	**1:30 AM**
Ar. Belize, B. H.	6:00 AM
Lv. Belize, B. H.	6:20 AM
Ar. Guatemala City, Guat.	7:45 AM
Lv. Guatemala City, Guat.	8:25 AM
Ar. San Salvador, El Sal.	9:10 AM
Lv. San Salvador, El Sal.	9:40 AM
Ar. Tegucigalpa, Hond.	10.35 AM
Lv. Tegucigalpa, Hond.	11:00 AM
Ar. Managua, Nic.	**11:55 AM**

10 HOURS 25 MINUTES

Connie over Sugar Loaf

An audacious moment of courage . . . a calculated risk against overwhelming odds . . . a well turned phrase to inspire the struggle for freedom. These are the great moments of history. Here is the tale of such a moment

19th CENTURY Conquistador

Indomitable courage, an unquenchable flame of leadership, and an all consuming sense of destiny. These are the characteristics of a conqueror . . . one who serves his flag to be glorified in history as a builder of empire. So too, of one who serves only himself to be condemned, sometimes pitied, or at best, forgotten by history.

William Walker was such a man. Possessed by insatiable ambition and a towering sense of pre-destination this small, granite-faced megalomaniac sparked a 58-man expeditionary force into the conquest of Nicaragua, was himself elected president, and then very nearly overwhelmed four neighboring nations. Only Providence, active intervention by the United States Navy, and the man's own miscues brought to an end the dream of an empire which conceivably could have included all that is today known as Central America.

Oddly, Walker was a military blunderer of epic quality. There were times he withdrew his force without a fight from easily-defended positions or marched headlong into ambush by moving impetuously on rumor rather than fact. He left flanks exposed, split his forces senselessly, and on at least one occasion failed to reinforce hard-pressed troops when he could have so easily.

Coupled with this ineptness in military tactics was a singular genius for antagonizing those who could have been friends and allies. Even more, a positive talent for misjudging the worth of men, for entrusting commands to fools and delicate negotiations to scoundrels. Friendless, completely lacking in scruples, he violated agreements imperturbably, shot his own troops for minor breaches of discipline while on drinking sprees but refused to execute prisoners of war as local custom dictated; moreover he treated enemy wounded along with his own casualties. Yet in an act of senseless vandalism, razed the beautiful Nicaraguan city of Granada. This was Walker, a would-be conquistador of the nineteenth century who nearly forced the United States into inadvertent ownership of several hundred thousand square miles of territory which it did not need, nor want.

It was the times perhaps. Since 1800, the United States in a wild burst of growth had gobbled up nearly everything from the Mississippi westward to the Pacific by purchase, conquest or rebellion. The rising floodtide was invincible. Only a few prissy souls in Washington's officialdom took seriously a body of legislation called the Neutrality Laws, which forbade United States citizens from interfering in the internal affairs of other nations. But to the prophets of Manifest Destiny, Walker the expeditionary was the personification of the times. It was only inevitable that he should be acquitted and lionized after being arrested for leading an abortive expedition into Mexico's Lower California and Sonora.

Within a year he was off again, this time to Nicaragua at the head of 58 tough characters who later became known as Walker's Immortals. He came as the leader of mercenaries to wage revolution in the service of a defeated presidential aspirant; he stayed to become president.

The Nicaragua of 1855 had been freed from the Spanish yoke only thirty-four years, of which twenty-five had seen almost constant revolution. The country fell into two camps: the Democrats, who held the traditionally liberal north with the cities of Léon and Chinandega, and the Legitimists under President José Mariá Estrada who ruled the south from the aristocratic capital city of Granada. It was also in the south that another factor of great consequence was located: the trans-isthmian route of Commodore Cornelius Vanderbilt, which linked Nicaragua's Carribean port of Greytown (San Juan del Norte) with the Pacific for California-bound passengers from New York.

The rest of Central America was nearly as turbulent as Nicaragua. International borders were less important than political convictions. Power ebbed and flowed among the five capitals according to whether Legitimists or Democrats were in possession, and armies marched and countermarched in cheerful disregard of national sovereignty.

Into this cauldron the tiny figure of Walker led his 58 hulking, pistol-packing bravos. Castellón, his nominal employer, thought he had enlisted a body of Olympians to the Democratic cause. But behind his impassive facade Walker's tenacious mind planned only personal conquest and empire.

At once he showed the audacity that marked most of his later successes. Refusing to take orders from the Democratic commander, General Muñoz, he sailed for San Juan del Sur, landed and marched into an ambush which he beat off while his supporting native troops fled. He then attacked the important southern city of Rivas, garrisoned with 500 Legitimist troops, took and held the main plaza for a time, and fought his way clear of an overwhelming enemy encirclement with small loss to his own force. He then retired to San Juan del Sur, breaking through the surrounding enemy. Eleven of his men were killed, 7 wounded. He had killed 80 Legitimist troops and wounded about 100.

Acclaimed a hero on his return to Léon he again quarreled with Muñoz and Castellón, who quartered 300 Democractic troops in the houses directly across the narrow stret from Walker's remaining 37 effectives. Walker sent a note to Castellón. "If the troops occupying positions facing my headquarters are not removed within an hour I shall regard them as an enemy force and act accordingly." The uneasy Castellón sent his 300 men back

to barracks.

In short order, Walker headed South again . . . for Virgin Bay, where with his 150 Nicaraguan reinforcements, he sustained the attack of a superior Legitimist force under the command of Honduran General Santos (The Butcher) Guardiola. It was during this engagment that the Walker legend grew. Indifferent to hazard, he walked coolly along the parapets directing fire, only to be struck twice: once in the throat by a spent ball that robbed him of speech for several days and once in the breast, where the bullet lodged in a packet of letters. Nicaraguans began to suspect supernatural qualities in the strange foreigner.

Walker now had the Transit Route secured from the Pacific to Lake Nicaragua. This not only enabled a mutually-beneficial arrangement with Vanderbilt's Transit Company, but provided more recruit material from amongst the passengers crossing the isthmus.

In the north his disregarded chief, Muñoz, was killed in a battle. His employer, Castellón, died of cholera. There was no one left who could claim even nominal authority over the cold-eyed little man.

He decided to attack Granada, the Legitimist capital on the lake shore north of the Transit route. In a rare demonstration of proper tactics, he seized one of Vanderbilt's Transit ships at Virgin Bay and put his troops aboard. Blacked out, they steamed north by night arriving before dawn off Granada. Then in almost complete silence, disembarked and marched on the city. The garrison, in profound hangover from celebrating news of a Legitimist victory in the north, and fell almost without a shot. The sole casualty was a careless drummer boy who stopped a sniper's bullet.

Walker forbade raping, looting, and indiscriminate murder — traditional victor's privileges in the region at that time, which astounded and gratified his conquered enemies.

Masaya and Managua to the north of Granada, were still held by Legitimists, whose forces still measurably out numbered Walker's army of 500. But the Legitimists were demoralized at the loss of hitherto inviolate Granada, and frightened by the mushrooming legends surrounding the icy little leader of the towering Immortals. And so they sued for peace. In five months Walker had conquered Nicaragua.

The days that followed, a Legitimist interim president was placed in office by Walker, who had of course assumed command of the armed forces.

A colonization decree followed, offering 250 acres of land to every American who would settle in Nicaragua. And all the while, agents in San Francisco, New Orleans, New York, and other cities continued recruiting for his army. A typical advertisement in a New York newspaper read: "WANTED: ten or fifteen men to go a short distance out of the city. Single men preferred. . . . Passage paid."

Walker's inflexible harshness toward those who crossed him terrified Nicaraguans who wanted to support him. This, and the influx of arrogant adventurers made them fearful of the country's future, and spelled his inevitable downfall. But much was to pass first.

The zenith was to come with his inauguration as president after election by a gratifying margin. But the ceremony was scarcely over before his star had begun to wane. Blunders became more serious and more frequent. Having acquired a valuable aide in the aristocratic, wealthy, and idealistic Cuban patriot Domingo de Goicouria, he took a dislike to the man and belittled him until de Goicouria, angered and discouraged, worked with great effect against Walker in the United States. Previously he had so rebuffed Trinidad Cabañas, a potent figure in Salvadorian politics, that this great Democrat swung El Salvador into the Costa Rican-Honduran-Guatemalan coalition led by Legitimist Mora against Nicaragua.

Then to cap it all, Walker charged Vanderbilt's Transit Company with cheating Nicaragua and confiscated all the Company's ships and property in the country. The crusty old Commodore, who had been carrying Walker's recruits without charge, promptly rerouted his shipping via Panama and directed all his vast power against Walker's enterprises.

Walker decreed property laws designed to rob Nicaraguan landowners for the benefit of American settlers. He conceived a stratified Nicaraguan society with the American immigrants at the top and, reversing his editorial ideals of New Orleans and San Francisco, envisioned slaves as the labor force. He dictated an anti-vagrancy law that empowered him to conscript labor and troops at will.

The long-heralded invasion from the north became a fact. An army of 1800 Salvadorian, Honduran, and Guatemalan troops took León and Chinandega.

Walker's 800 Americans were a formidable force, but the cessation of shipping made it impossible for him to replenish either troops or stores.

Cholera rescued him. The plague struck Mora's troops in Rivas, forcing the Costa Rican to abandon the war with only 1000 survivors of his original 3000. Cholera also struck the tripartite invasion army in Leon, and nationalistic rivalries further weakened it. For the moment, Walker held Granada, Masaya, Managua, Rivas, and the San Juan River all the way to the Caribbean.

Then the Allies pulled themselves together once again and marched on Managua. Walker pulled back to Masaya without a fight, the Allies in hot pursuit. At this point all ration and logic fled the theater. Masaya, a natural fortress on high ground, was virtually impregnable when defended by the disciplined rifle fire of Walker's sharpshooters—yet he ordered it abandoned. Days later when the enemy was well intrenched there, he ordered the city attacked. It was only news of the Allied occupation of Granada which staved off that debacle. Instead, he force-marched his troops back to Granada, and snuffed out the Allied gambit in that direction. But Masaya was still in his craw so 550 men were dispatched to dislodge the Allied defenders; but a scant 550, because they'd scarcely left before follow-up orders diverted half southward to Rivas, to control a rumored invasion. Three days of fighting at Masaya cost him 100 men and failed to dislodge the Allies. Walker decided to retreat to Rivas, and fortify it. It was then he ordered Granada razed.

In a three-week orgy of fire and blasting, the beautiful city was levelled despite the Allies' best effort to oust

Walker's destroying rear guard.

Despite diminishing food and ammunition, despite crumbling morale and disease, Walker held Rivas surrounded for six months. He was as remote and imperturbable in disaster as in victory. During the last days of the seige, the British cruiser HMS Esk anchored in San Juan harbor, where Walker had a leaky little schooner with two 6-pound cannon. She was commanded by Callender Irvine Fayssoux, a former officer in the Texas Navy. Captain Sir Robert McClure of the Esk ordered Fayssoux to come aboard and bring his commission with him. Fayssoux refused. McClure threatened to sink the schooner if Fayssoux did not obey at once. Fayssoux ordered battle stations and trained his two puny guns on the British warship. After a tense period the red-faced McClure sent the ship's gig with his respects and an invitation for Captain Fayssoux to make a friendly visit aboard the Esk.

The following day McClure, still chewing his whiskers in anger, journeyed to Rivas to protest Fayssoux's defiance. As he entered Walker's headquarters, Walker turned a penetrating gaze upon him. "I presume sir," he said in icy tones, "that you have come to apologize for the outrage offered to my flag and to the commander of the Nicaraguan schooner of war Granada."

Thrown completely off balance by the aloof dignity of the tiny figure in the rusty black frock coat, McClure found himself apologizing. Walker cut the interview short. Outside in the blazing tropical sun, McClure mopped his forehead and remarked in bewilderment: "If he had another schooner, I do believe he would declare war on Great Britain."

Meantime, Commander C. H. Davis of the USS St. Mary, had been impressing upon Walker the hopelessness of his position. If he would surrender, Davis would guarantee safe-conduct for him and his remaining 463 men. At last Walker, without food, ammunition, or medical supplies, yielded. Afterward Costa Rican General Mora stated that cholera would have forced the Allies to disband within 20 days if Walker had not surrendered.

Walker, again a popular hero in defeat, arrived in New Orleans May 27, 1857. In six months he raised enough money to undertake another go at it.

In November he sailed surreptitiously from New Orleans with 300 men. On arrival in Greytown harbor, before first evading the USS Saratoga, he seized the Caribbean terminus of the Transit route, sent a raiding party up the San Juan River and put 200 men ashore at Punta Arenas. They were scarcely in position, however, before the USS Fulton and two British warships anchored in the harbor, while the Saratoga trained her guns on Walker's landing party. And just to clinch the point, 300 Marines appeared behind them. Another expedition was over.

Once more public sympathy rallied toward his favor in the United States and he got off scot-free.

After all this, there was still one more try in the one-time conqueror of Nicaragua. More than two years had elapsed when Walker raised his colors on the Bay Islands along the Honduran coast, base camp for the invasion which was to follow. About a hundred men had followed him in small groups, but he didn't fare as well with expected supplies. Nevertheless with rifles and only 40 rounds of ammunition per man, Walker attacked the ancient stone fort overlooking the Honduran port of Trujillo, overwhelming it in 15 minutes with the loss of only six.

Two weeks later the British warship Icarus anchored in Trujillo harbor and Captain Norvell Salmon ordered Walker's men to quit the fort. Seven hundred Honduran troops guarded all roads to the city and harbor. At midnight Walker and 65 men marched out of the fort, down the beach, and into the jungle. Pursued by the Hondurans they dug in beside the Rio Negro and fought for more than a week almost without food. To prevent massacre, officers from the Icarus, with two boatloads of sailors, came ashore and demanded Walker's surrender, offering protection for all American citizens.

Later, aboard the Icarus, the officer listing the survivor's names came to Walker. "I am William Walker, President of Nicaragua", he said.

Refusing to claim United States citizenship, he was returned to the Hondurans. On September 12 the order for his execution arrived from Tegucigalpa. It was signed by his ancient enemy, Santos (The Butcher) Guardiola.

They shot him in a field beside the beach.

In the holocaust of the Civil War most Americans forgot his brief fame. But they remember the name of William Walker in Nicaragua. And in Costa Rica? They measure with thankfulness this year the 100th anniversary of his defeat.

From the Capitol at Santiago . . .

CHILE'S FINANCIAL BROMIDE

Chile, a land of grim mountains and gay people, has for years been teetering on the thin edge of economic disaster. Financial crisis has been chronic, inflation endemic. Now the country is well embarked on an experiment that may prove to be the first non-catastrophic remedy for inflation.

Chilean labor is perhaps the most universally-unionized in Latin America. The country's legislation is studded with sociological provisions in some cases more advanced than those of the United States, and in some cases beyond the nation's ability to pay on any but a deficit basis.

One provision tied wages to the cost of living. When basic commodity prices jumped, say 10 percent, employers had to boost pay checks by the same amount. The increase in labor costs inexorably shoved prices up another notch, and salaries automatically followed. In 1954 the cost of living rose 72 percent. In 1955 it rocketed by 93 percent. It was a spiral that could end only in total collapse.

THE PRESCRIPTION . . . Engaged by the Chilean Government to solve the problem, the Washington firm of Klein & Saks early this year proposed a three-part dose of strong medicine. First a drastic reduction of the enormous Chilean bureaucracy and a corresponding cut in Government spending on non-essential projects. Second, reduction of the automatic wage-increase-formula from 100 percent to 46.5 percent of the monthly increase in the cost of living index. Corollary points suggested the abolition of the multiple exchange rate (which ranged from 110 to 500 pesos to the dollar) so that the peso could find its own level, elimination of the complex and politics-ridden system of issuing import licenses, and the freezing of prices of a number of basic commodities at the level of November, 1955. Third, rigid control of credit.

The plan, with the support of the cabinet, was approved by Congress. Labor struck, and the public outcry was loud and bitter, but the Government stood resolutely by its decision.

Then, in anticipation of a peso plunge to a depth even lower than its 700-to-the-dollar ratio, the Government obtained loans aggregating $75 million from the International Monetary Fund, the United States Treasury, and various commercial banks for a revolving currency stabilization fund.

Subsequently, when controls were lifted the peso did in fact stagger, but not as badly as had been expected. The upward flight of prices was sharply checked. Cost of living, which rose 6 percent in December, 1955, crept up only 0.9 percent from January 1 to February 1 of this year. Approximately the same moderate rate has continued.

Since then the peso has stabilized at approximately 400-to-1, with minor day-to-day fluctuations; this is the

rate at which all business transactions are conducted. Now there are only two categories of imports: those permitted and those prohibited. In the first list are essentials such as capital equipment, machinery replacements, agricultural implements and the like. These items may be imported freely, subject only to the importer's ability to pay. The proscribed list includes most of the luxuries.

The Chilean position has improved to such a point that the World Bank, which had resolutely taken no action on a several-years-old Chilean application for a $170 million loan, recently dug the application out of the files. Two World Bank experts are now in Chile surveying the transportation and agricultural projects the loan will cover. Well-informed sources in Washington offered the opinion that at least some of the loan will be approved, and added that action would have been unlikely without Chile's apparently successful anti-inflation measures.

. . . **THE RESULTS.** Patently, it is too early to predict the final effects of the plan. Certain basic factors, however, indicate that a considerable degree of stability is being achieved, despite Chile's lopsided economy. One of the more significant yard-sticks is that the year-end hard-currency commercial arrears had been held to a figure somewhere between forty and fifty million dollars, which is about half the amount owed by Chilean merchants at the beginning of the year.

Also significant is the fact that:

—Government-developed oil fields in Tierra del Fuego now supply from 35-50 percent of the country's needs for crude petroleum. The new $16 million Government-built refinery at Concón, near Valparaiso, is expected in 1956 to produce 3 million barrels of gasoline (90 percent of national consumption), 312,500 barrels of kerosene (20 percent of consumption), 1 million barrels of diesel fuel (60 percent of consumption), and 1¼ million barrels of fuel oil (60 percent of consumption).

—Huachipato, the modern steel mill inaugurated near Concepción in December of 1950 is now making a profit on its operation and has expanded. The plant was designed to make Chile independent of most imported steel products, but her consumption has increased so that Huachipato's expanded production can no longer keep pace with the demand.

—Chile's big export, copper, brought $380 million last year. This year copper exports are expected to reach $550 million.

The country's prosperity, if it can be achieved, is important to United States business concerns, which usually sell 40-50 per cent of all Chilean imports ($343,389,200 in 1954)

Of longer range interest to the United States is pending legislation to open four northern Chilean provinces to oil exploration with foreign participation on approximately a 50/50 basis. Since major projects of the past decade, such as petroleum, the Huachipato steel mill, and the Concón refinery, have been under the aegis of the Chilean Government's own National Development Corporation, with foreign capital strictly excluded, there is implicit to this legislation a volte face that augurs well for the future.

To famed resort areas . . .

To the Copper industry in the desert . . .

Chile is strengthening its economy . . .

Latin American Report asked

CARLOS CASTILLO ARMAS

PRESIDENT, REPUBLIC OF GUATEMALA

EDITOR'S NOTE: The ups and downs of Carlos Castillo Armas, the quiet-mannered, soft-spoken President of the Republic of Guatemala, appear more fictional than realistic. In November of 1952, when pro-Communist Jacobo Arbenz was then president of Guatemala, a revolutionary group led by Castillo was ambushed as it attempted to capture Base Militar at Aurora Airport. Castillo himself survived only by pretending to be dead. Again in 1953 Castillo averted death by tunneling himself to safety from the National Penitentiary. Then in July of 1954, he returned triumphantly to Guatemala City at the head of a Liberating Army. Since then it has not been an easy road for President Castillo Armas. He inherited a country which approached bankruptcy, a country which had been saturated by Communism. To discuss what has been accomplished, what has yet to be done and what the future holds, LATIN AMERICAN REPORT submitted a questionnaire to President Castillo. The following is an English version—without editorial interpretation—of the questions and the answers.

Q. Your Excellency: When you took office on October 29, 1954, you pointed out that the achievement of political and economic stability would require the cooperative effort not only of all factions in Guatemala, but also of the United States and private businessmen from abroad. What results are noticeable?

A. As an economic measure a Council of Economic Planning was created in November, 1954 and charged with preparing a basic five-year plan. After six months of specific research involving principal agencies of the government, economists and representatives of the International Reconstruction and Development Bank, the plan emerged as a reality. Covering the period from 1955 to 1960, the plan deals with works on public roads, development of agriculture and the native economy, light and power systems, budgetary reorganization, taxation, and technical coordination among the various agencies. With this blueprint to advance the systematic economic development of the country, it is felt that solid foundations have been laid for the welfare of the Guatemalan people.

Q. Excellency: What is your government doing to attract tourists to Guatemala, particularly in view of the often voiced complaint among U. S. travelers that the cost of living is too high in Guatemala?

A. It is not true that Guatemala suffers from a high cost of living, especially if one considers the inhibiting tariffs of other countries. Guatemala's cost of living is much lower than in those countries where tourism has become big business. Our hotels, transportation systems, and those goods indispensable to the traveler are so reasonably priced that even visitors of modest means can spend long periods in Guatemala without depleating their funds. Nevertheless, appropriate measures are being taken—through price controls on hotels, transportation and consumer goods—to obtain a cost of living within the reach of all classes.

Q. Excellency: What importance do you attach to the completion of the Pan American Highway from Mexico to Costa Rica?

A. The importance of the Pan American Highway is paramount at the economic level. Guatemala's international trade will increase considerably, particularly with neighboring states. The highway also will accelerate plans for Central American union as the various peoples get to know each other better and the rate of migration increases.

Q. In the United States there has been considerable controversy over the value of the Foreign Aid Program . . . critics say it has provoked more enemies than friends. What are your views on this, and how can the program be improved?

A. Any controversies which arise in the United States about its Foreign Aid Program result from the observers' points of view. Only the Communist world would be interested in provoking enmity, because the Communists do not benefit, by any means, from the good economic rela-

tions existing between the United States and the countries of Latin America. The program, following your question, could be improved only in regard to the quotas assigned to Guatemala.

Q. Excellency: What has your administration done to attract and stimulate an increased flow of foreign capital investments in Guatemala?

A. Changed economic and labor policies as well as the government's stability and its indiscriminate guarantees to all the nation's inhabitants have rekindled the confidence of investors, both native and foreign. From July, 1954 to the end of 1955, the results of the industrial development law have become evident. Almost 20 new industries have been established, including plants to produce rubber tires, aluminum goods, plastic articles, instant coffee, etc. Besides these, more than 82 new companies, formerly non-existent in Guatemala, have gone into business. Likewise, several basic dispositions have been decreed, such as the one which eliminates double taxation, or the Petroleum Code, the new law of land tenancy and certain regulations which govern tariffs.

Q. Excellency: In view of the Guatemalan labor law requirement that foreign companies must employ at least 90 percent local nationals, what arrangements have been contemplated for those companies executing highly technical operations whose personnel needs cannot be satisfied locally?

A. When it is a special case which cannot be handled by Guatemalan personnel, exceptions to the law are authorized. Another answer has been to grant scholarships abroad to nationals with special talents to perfect their

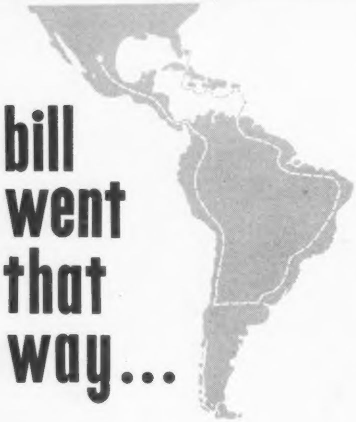
knowledge and who thus may render technical services to these companies.

Q. Excellency: The oil program of your government in the Peten District has attracted considerable publicity. Do you think that oil will be the answer to all the economic problems of your country?

A. Oil is a potential wealth whose exploitation could result in new sources of wellbeing for the country. Nevertheless, the answer to all of Guatemala's problems lies in a plan of development which I have already described (see Question 1) and which rates the deepest attention of the government. The government, concerned with promoting adequate and sane exploitation of all natural resources, gave special importance to the possible exploration and subsequent exploitation of oil. With this in mind, it formulated the Petroleum Code, which adequately guarantees the interests of the state, of private citizens and of the petroleum industry.

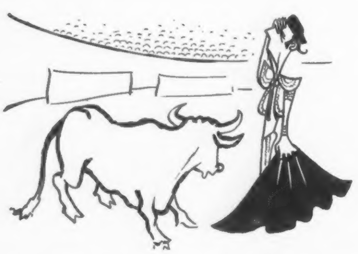
Q. Excellency: In your opinion, would it be desirable to have an economic union of Central American nations . . . has a realistic starting point been reached for its accomplishment?

A. The attitude which the government of Guatemala maintains in favor of Central American unity is clearly evident in the unstinted support it has lent the Organization of Central American States (ODECA). To date, the number of accomplishments effected to achieve economic cooperation in Central America has been considerable (agreements for collaboration in matters of economics, education, health, international relations, etc.). In this respect, I have the firm conviction that the steps taken so far are sure ones in bringing us closer to our goal.



bill went that way...

(STAFF NOTE: Publisher William G. Gaudet has just completed a round-South America tour. The trip began in Mexico, then on through Central America, to Colombia, Ecuador and down the west side to Chile. Across the Andes from Santiago to Buenos Aires, and up the East Coast to Caracas—over to Barbados, to Puerto Rico, Haiti, Jamaica, Cuba, and then finally to Miami. He insisted all was business, but after a bit of staff persuasion, the following represents some of the "asides" that occurred.)



There is one thing definite about Mexico. The Mexicans, despite new skyscrapers and a whole array of modern gadgets, are still Mexicans. The bullfight featuring the world famous Spanish matador, Luis Miguel Dominquin, proves that. After six listless bulls—each vying to be a Ferdinand — had been matadored, the crowd hissed, hooted and screamed for at least one good animal. Getting none, they tried to rip down the big electric clock and more than two dozen fires were started in the all-concrete-all-steel plaza. Later Dominquin went on television and blamed the fiasco on bulls that had no heart. Promptly the czar of the bullfight kingdom in Mexico suspended Dominquin and as an afterthought included all Spanish matadors. On a plane from Mexico to Guatemala I was telling of the incident. One man remarked: "Well, what did you expect? They're Mexicans." I asked him his nationality. "I," said he, "am a Spaniard." 'Nuff said.

Some years ago in Managua, Nicaragua, a hotel operator, getting just a little bored of talk about "big deals," finally put up a sign that read: "Any deal involving less than a million dollars may not be discussed here." The suggestion is very applicable today in Guatemala. Ever since the Castillo Armas government announced that it would accept bids for the exploration and exploitation of oil, hotel lobbies have been seething with dealers. Nearly every nook and cranny of every hotel lobby is jammed with little groups—with one man doing all the talking. If you listen closely enough, this is the way the conversation starts: "Now don't you pay any attention to those other guys, this deal will make us millions. I've seen a map and I know where the oil is. But it will take a little capital. So, this is what . . ." Ad nauseum.

Newspapers in Costa Rica will publish just about any political statement this is issued—true or false. But I was told of one story they did not fall for, but which did see the light of day in New York newspapers. The story had it that one of the reasons for the delay in construction of the Inter-American highway through the southern part of the country could be attributed to numerous obstacles. The "obstacles" outlined included "giant" snakes and "huge" tigers that constantly threatened workers. But then again, travel-wise New Yorkers, who still regard a trip to Brooklyn as an expedition, may be smarter. Maybe they know of these "terrible" snakes and tigers, and the Costa Ricans, like myself, are just ignorant.

It's fatal to believe everything you hear at a cocktail party, particularly in Quito, Ecuador. In line of duty, I was at such a party and listened enthralled to a story of how easy it was to make the trip by car across the Andes from Quito to Guayaquil. The teller was a representative of the U. S. Point Four program in the country. I was the believer and at 7:30 in the morning, I found myself being picked up for the "easy ride." Quito is nearly 10,000 feet high, but we still had a climb to reach the top of the road—a mere 13,000 feet in the air, where clouds nudge you and say "push over." The equator cuts straight through Ecuador and that is where it is supposed to be the hottest. That one is for the birds. Hours later, on the descent, we passed an abandoned gold mine at Machuchi. It was originally discovered by the Indians, then the Spaniards, and finally was worked under modern North American production methods until the vein became no longer economical. Here the road narrows and snakes beside mountains; a thousand feet below is the Machuchi river. As we rounded a sharp curve, we saw a group of Indians, weeping and wailing. Our eyes swept downward and in the river we saw the broken, twisted front of what once had been a privately owned and operated bus. Parts of the body of the bus were scattered in various spots as the bus plunged downward. After difficult conversation, we pieced together the story. The accident had occurred late the night before. Fifteen had been on board and all 15 had leaped as the bus left the road. Several were cut, scratched, and otherwise injured. Miraculously, no one had been killed. They were still there because all night they had edged down and then back

up the steep incline, seeking and retrieving personal articles. I saw a stem of bananas, old clothes, a tire, a food basket.

On the Panagra flight from Guayaquil to Lima, Peru, I encountered a Swedish export manager who explained a new wrinkle in foreign merchandising so far as I was concerned. I have watched with some pride the growth and development of the supermarket, the super-department store and the super-drug store as these colossi of Yankee civilization pushed into the hinterlands of South America. To me these represented proven United States merchandising methods going southward. This Swedish firm, however, had just come up with a new light-weight bowling ball — and this manager was in voyage to sell it to South Americans. No great splurge has yet been made in the United States and I asked why. "South Americans are the hardest to sell," he explained. "If we do well here it will be a tremendous success in the States. You North Americans are easy."

In Santiago, Chile, it was not a day for work. The first brisk air of winter was just then sweeping across the snow-covered Andes and not too many days of golf would be left. I had everything I needed to play golf—a friend and the desire. It mattered not that I did not have the clothes, the shoes, the golf clubs or the golf balls. On the way to the club, my friend Lucho — nickname for Luis — explained that he could get me clothes, shoes, golf clubs, etc. I asked him about the price of golf balls. He gave me the figure in Chilean pesos, which when translated into dollars, was something like 40 or 45 cents each. In the United States such a ball costs $1.25. I said no more until we got to the Los Leones Golf Club. After getting outfitted, I walked to the pro shop and asked the price of golf balls. The same figure was mentioned. "Well," I said, "let me have two dozen." The shop manager smiled and shook his head. "That, sir, is the price when we have them. Today we do not have one ball for sale, because we have none."

Today the North American is liked better in Argentina than ever before. This cannot be attributed to the downfall of Juan Domingo Peron; nor can it be attributed to the loans which we have advanced to help rehabilitate that country. The truly big change can be attributed to the help we rendered in connection with the recent polio epidemic. As soon as word reached Washington of the seriousness of the situation, planeloads of Salk vaccine were flown to Buenos Aires. The outbreak caused many deaths and many are crippled for life because of the dread disease. But many a parent is aware that even more would have died, had it not been for the help of the U. S. A. This type of help reached the people and they know it.

In Montevideo, Uruguay, they are beginning to wonder who is the fat, rich, overstuffed capitalist—the North American or the Russian. While I was in Montevideo, the U. S. icebreaker "Glacier," after six months in the Antarctic, came steaming into the harbor. About the same time, a huge Russian whaleboat also put into port. There was one big difference. The United States Navy vessel was completely

without food and the crew had been on dry rations for days. In contrast, the Russian whaleboat was loaded—caviar, ham, beef, frozen crabmeat and a hundred other delicacies. Then there was the usual vodka and rare old brandies. Best proof that the Russian whaleboat had been away for months was this: every cabin had its picture of Stalin!

I am now starting to wonder just how many words of a conversation we actually hear to understand what is being said. En route from Montevideo to Sao Paulo in Brazil, I sat next to an Italian who operates textile plants in Brazil, Argentina and Italy. He spoke Italian and French — no Spanish, Portuguese or English. My languages are Spanish and English, and a smattering of Portuguese. Yet we became fast friends, with Bruno talking only Italian and I talking Spanish. He had me to dinner the following night and his car drove me to the airport. Since then we have exchanged correspondence—my letter to him was in English and his letter was in Italian.

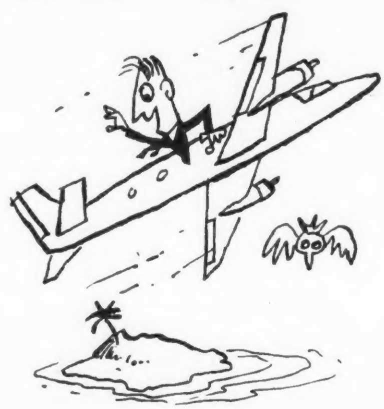
It happened in Rio de Janeiro, Brazil. When it came time for me to check out of my hotel, I asked for my bill and explained I would like to pay with my personal check, drawn on a large bank in southern United States. There was no trouble and everything

was pleasant. I checked my bags with him, went to lunch and then returned. I found a very distraught clerk. "I'm

sorry, sir, that check, I cannot cash it. I called a New York bank with a branch here and they say they cannot guarantee it." I laughed. "Of course, they cannot guarantee it; what you should do is check on me." "No sir," he replied, "you do not understand. We do know who you are—but it's your bank. Now if you will write me another check on a bank we know, I can accept it." I explained that I had no account with the bank he mentioned, but he insisted. "That makes no difference; we know that bank."

To this day I am wondering why I called the bank manager in Rio and got him to straighten out the situation. Perhaps I should have written that check on the "well-known bank" . . .

Doña Felisa Rincon de Gautier, the mayoress of San Juan, Puerto Rico, is a friendly and interesting woman, but I have made one pledge—never to accept another invitation to accompany her on a routine day. At 9 a.m. her car picked me up at my hotel and whisked me to her office in the Municipal Building. She was already there. An endless stream of persons kept pouring in—some on city business, some seeking financial help. Suddenly a secretary came in and reminded the mayoress that she was due to lay the cornerstone at a new General Electric building. It was beginning to rain, but we went anyway. And at the moment she was putting the stone into place, the rain really came down—but the dedication went on. Back to the Municipal Building for a short moment, then off to an official lunch at which a Puerto Rican doctor was being honored for his research work on cancer. In the afternoon, trips to poor tenement districts. At 5 'clock, an official reception for several important visitors who were being given the keys to the city. At 6 o'clock, a cocktail party and a piano recital. This was followed by another cocktail party, then a reception at the home of the Vice President of the Puerto Rican Senate. Interesting part is that even though she attends cocktail parties and receptions, the mayoress does not drink. At 12 o'clock that night I was being driven back to my hotel. Doña Felisa asked if she could have the car pick me up in the morning. Never have I been so grateful for the fact that I had to leave for Miami the next day. Yeah, I guess I am a coward . . .



People IN THE NEWS

Hasty Explanation: Local rumblings on Brazil's agreement to ship atomic minerals to the United States prompted Majority Leader Viera de Melo to rise in defense of the government's position in the Chamber of Deputies. Said de Melo: terms negotiated in 1952 simply call for furnishing the United States annually with 2000 tons of monazite, thorium and rare earth . . . a matter now under examination by President Kubitschek in light of national interests.

Meanwhile, War Minister General Teixeira Lott expressed his views unequivocally against exporting monazitic sands; advocated refinement in Brazil . . . then sale only of surplus at prevailing international prices.

Recess Over: After a regular Roman holiday of Catholic versus non-Catholic partisan demonstrations and sporadic scufflings in principal municipalities, Argentine students dutifully filed back to their classrooms with the word of non-partisan attorney Carlos Adrogue's appointment to the post of Minister of Education. Storm center of the controversy was predecessor Atilio Del 'Oro Maini, described by his critics as the chief of a clerical Peronista group, who was accused of dragging his feet in "de-Peronizing" education. He resigned.

Cause Célèbre: Barely extricated from one legal entanglement, Brazilian presidential runner-up Adhemar de Barros, who fled to Paraguay then Bolivia one jump in front of a warrant, is still subject to arrest at home albeit on a new charge, i.e., a missing ballot box alegedly found at the Barros residence. The Sao Paulo Justice Court promptly issued a new warrant for the arrest of the former governor. Legally this voided the original warrant in accordance with a ruling of Brazil's Federal Supreme Court: it also cancelled the extradition request to Bolivia—which in any case that country's Attorney General had said was not in order. Its translation from Portuguese into Spanish had been too literal.

Tourist—Brazil Style: After three days in the rarefied Washington atmosphere where the emphasis was on inter-governmental relations, Brazil's Vice President João Goulart plunged into the commercial milieu. Seeking a quick cross-section of the American economy, Goulart touched base first at Texas' famed King Ranch, then on to Kansas City for an inspection of stock yards and packing plants . . . then on to the assembly lines at Detroit . . . and finally New York. Thus, agriculture, industry, and finance all at a blow.

João Goulart

Domestic Tranquility: Looking about with evident satisfaction, Cuba's Fulgencio Batista seemed assured for the moment that the seizure of various illegal arms caches had staved off any potential revolutionary threat . . . that he would remain in office until the expiration of his term in 1959. This, notwithstanding a wary eye on the Dominican Republic which Batista insists has been supplying arms and economic aid to Cuban revolutionaries. Dominican counter charges are equally insistent that the Cuban Army is succoring anti-Trujillo plotters.

Nelson A. Rockefeller

Bigger and Better Things: The brothers David and Nelson Rockefeller recently visited with Brazil's President Juscelino Kubitschek, then stepped briskly off on a tour of Belo Horizonte, Sat Paulo and Río. Word was that the brothers were extremely impressed. This could mean more Rockefeller investments in Brazil.

David Rockefeller

WHAT PRICE COFFEE..

Coffee, which produces more millions of dollars for the nations of Central and South America than any other single item, too long has been boom or bust. When prices are too low, producers can't make money. When they are too high the world condemns them as price-riggers and profiteers.

It is a situation deplored by the housewife, retailer, roaster, importer, broker, and producer alike. From time to time various remedies have been suggested, without signal success.

In 1954 when coffee prices skyrocketed, housewives talked riot and boycott, picketed Congress to do something about coffee which was then costing them more than a dollar a pound.

By way of contrast, in the years immediately preceding World War II, with the European markets closing, the unexportable surplus in Brazil was piled so high that Brazilians burned mountains of coffee. Finally, in 1940 green coffee prices hit a low of between 5 and 6 cents a pound. This situation prompted the Inter-American Coffee Agreement, which apportioned United States imports among the coffee producing countries. Prices subsequently leveled at approximately 13 cents a pound.

Notably, most of the efforts to regulate prices have come at a moment of crisis—never at a moment of calm stability. Lacking therefore a permanent mechanism to forestall extreme highs and lows in prices, a continuing problem has been posed. To the coffee producing nations "good" prices mean stability and the wherewithal for progress; to the housewife, high prices are "scandalous." Conversely, the low prices sought by the housewife are disastrous for Latin American producers, and in turn to United States exporters of various products and goods dependent on coffee dollars to keep their wares flowing southward. Thus the problem is of far greater proportion than the usual producer-consumer wrangle over an equitable price; to the producer-nations whose coffee crop is their principal economic mainstay, price fluctuations have an immediate impact on their annual trade balance, hence national prosperity.

Coffee on the tree

PRODUCTION UP, PRICES DOWN. Prompted by the seriousness of this roller-coaster price situation, representatives of the various Latin American coffee-producing nations met in Rio de Janeiro in 1954 to discuss an international agreement that would serve to reduce the element of chance. The spadework was relegated immediately to the Inter-American Economic and Social Council of the Organization of American States,* with instructions to undertake a detailed study of the world coffee situation and its future outlook. On the basis of this study, concrete recommendations for the narrowing of price fluctuations were then to be forwarded to the interested countries for discussion and action.

The resulting work product defined the problem in terms which spurred the Economic and Social Council, meeting in special session on April 9, to a prompt decision. By a vote of 15-0 (3 abstentions) a new instruction was sent to the coffee subcommittee: prepare draft agreements for submission to the Council.

The picture conjured by the subcommittee to so bestir the Council forecast a period of rising production and falling prices through the 1959-1960 crop year. By then world production is expected to reach 53,000,000 bags (average 1946-1947 through 1950-51, 28,530,000 bags).

Exportable production during the current crop year is expected to be 37,000,000 bags, about 4 to 5 million bags above probable consumption. The report foresees a possible price drop of 40 percent from the 1953 average of 53 cents per pound. This, it predicts, could cost Latin American coffee-producing countries as much as $750 million in foreign exchange, with a corresponding near-disastrous decline in employment, an attendant drop in the import of foreign goods, and a commensurate inability to meet foreign obligations.

As to what this could mean in the United States, consider these facts:

* The actual study was conducted by a Special Coffee Committee comprising representatives from Brazil, Colombia, the United States, and Nicaragua; the latter acting as spokesman for a 13-nation consortium, all members of the Coffee Federation of Latin America.

—In 1954 Latin American coffee-producing countries absorbed 18.5 percent of total U. S. exports. Coffee dollars paid for nearly half these exports.

This means that the 40 percent price drop pessimistically envisaged could affect 100,000 jobs in the United States.

GOVERNMENT BLUEPRINT. To forestall the predicted crises, the report urges an international coffee agreement between all coffee-producing and all major coffee-importing countries (U. S. takes about 60 percent of coffee exports, Western Europe about 30 percent) to assign production and marketing quotas at predetermined prices, and to establish production controls.

With an uneasy eye on African production (about 20 percent of world total), the report urges the establishment of import quotas to prevent non-signers from profiting without assuming responsibility. In the United States, enabling legislation necessarily would have to be passed by the Congress before import limitations could be imposed.

The report realistically notes that the price must be high enough to guarantee the producer a reasonable profit, but low enough to encourage increased consumption. U. S. consumption has not yet returned to the pre-1954 figure, when out-of-bounds prices drove many people to drinking tea and a variety of other beverages.

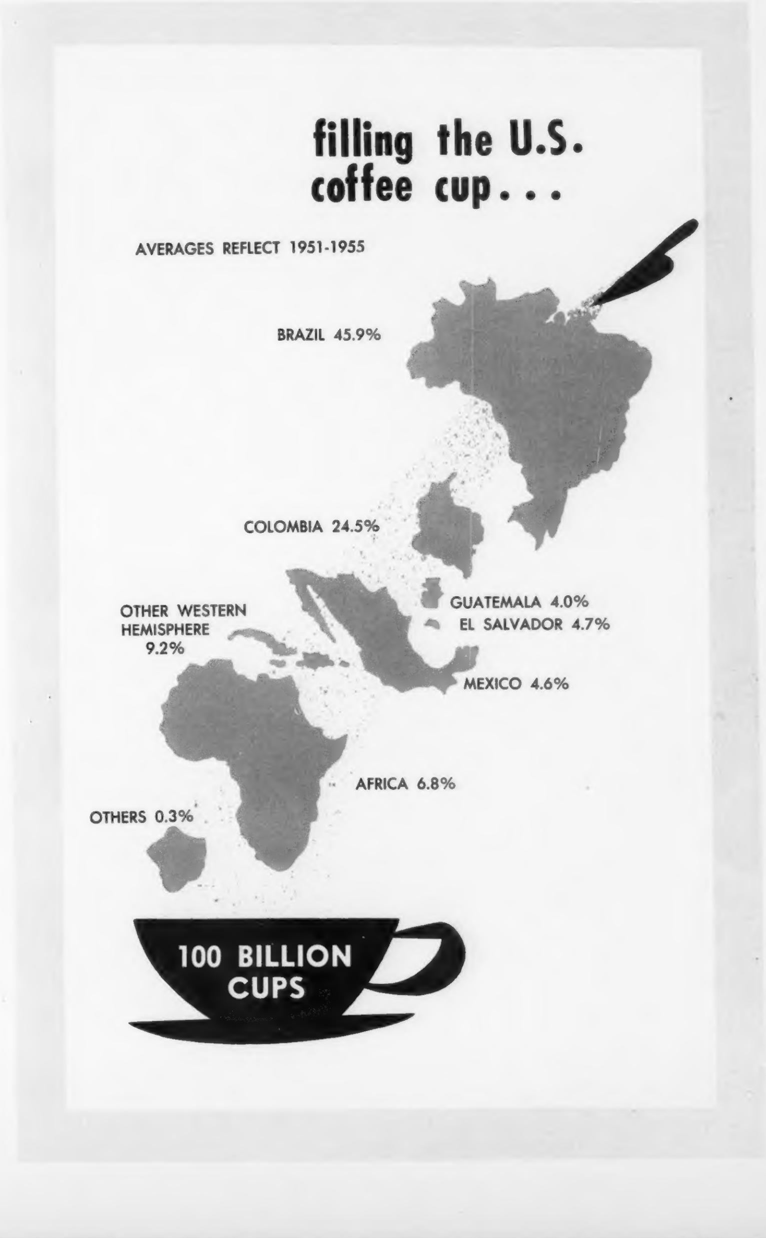
The major hurdle for the successful effecting of such a plan, however, is the inability of the coffee-producing countries to decide collectively on their aims. Colombia and Brazil in particular have found agreement impossible. Even when apparent accord was reached on certain points in two different cases, Brazil backed out of both, saying that there had been no agreement.

There is also a division of opinion as to whether the United States should take an active part in drafting an agreement, or whether the coffee-producers should get together first and then present the specific terms to the United States for discussion and horse-trading.

U. S. CAUTIOUS. Assistant Secretary of State Holland speaking to the National Coffee Association Convention in San Francisco last November, expressed his belief that there was no coffee crisis presently but that the United States would agree in principle to an international coffee agreement so long as it did not "prejudice consumers in this country."

The State Department, however, while sitting in on most of the discussions, maintains a discreet official

Coffee on the way



silence. Assuming that the Latinos will be able to work out their differences, a big factor in U. S. participation will be the attitude of the Dodge Committee, which advises President Eisenhower on such arrangements. Generally the Dodge Committee has been bearish toward international trade agreements.

All of this represents the quintessence of official thinking. In the coffee trade itself, producers and local importers reflect a different vein of thought—in essence, that a production-import quota-price agreement is not in immediate prospect, but that if one somehow emerges the impetus should be from the Industry itself. At least so it was said in New Orleans, the coffee world's second largest port of entry.

SKEPTICISM VOICED. Though importers agree that the best thing for the Industry is to prevent wide fluctuations in price—for the producer, the importer and the consumer—most are willing to take their chances on a free market. They want to know what all the shouting's about anyway. Consumption has recovered since the '54 slump and in their opinion is not apt to fluctuate much. "We only lose the marginal one-cup-a-day people; the true coffee drinkers stay with us," is a typical reaction. And the Industry feels that prices are reasonable now for both producer and consumer. The price per pound has been running steadily between 50 and 60 cents, except for the 1954 freeze year. One coffee roaster reminds the housewife that even at 90 cents per pound, 45 cups to the pound (up North, they get 60 to 80 cups), coffee still costs only 2 cents a cup. Based on average national income, percentage-wise coffee is cheaper today than it was during the depression in the Thirties. Because consumption and production and, consequently, prices have reached a satisfactory norm, much of the urgency about an international agreement has been alleviated.

One coffee man suggests that the idea of an agreement became an issue after the Federal Trade Commission investigation of the coffee industry in the spring of 1954, when the FTC advised the Department of Agriculture that the Industry was badly in need of better coffee statistics. He feels that these "slide-rule statistics" from Washington don't take into consideration what can happen to crops through bad weather alone. While the Department of Agriculture predicts an 11-million-bag surplus in Brazil at the end of the 1956-1957 crop year, private sources in Brazil, the only producer that ever has a carry-over, estimate that there will be only a 3½-million-bag surplus. Importers, however, realistically acknowledge that the forces of Nature finally determine the volume of production.

One coffee roaster voiced the apprehension expressed in the report of the coffee sub-committee: that Africa is the "fly in the ointment"; further, that if any of the coffee producers stay out of the agreement or fail to abide by its provisions, all the other countries will be "holding the umbrella for production in that country." Africa seems unwilling, and Africa is now accountable for about 20 per cent of world production.

Why the negative attitude toward the agreement and the likelihood of its ever becoming more than speculation? Aside from the feeling that the agreement is unnecessary at this time and apprehension toward anything that bears the stigma of "price fixing," importers question whether sixteen Latin American countries can come to a lasting agreement, especially when one of those countries is the coffee "colossus of the South," holding the reins on production and prices for the whole coffee world.

One point strongly stressed by importers is that if actual negotiations ever do get underway, the United States must not dictate to the producing countries; an understanding should be achieved among themselves. When the O.P.A. put a ceiling on coffee during World War II, Latin America objected strongly to United States price controls on a product which it didn't produce.

Austin A. O'Brien, President of the Green Coffee Association, said, "We are for free enterprise and we want the U. S. Government to keep out of the coffee business."

PRODUCERS NOD YEA! — BUT Manuel Mejía, spokesman for the coffee growers of Colombia, is essentially a free-market man. He has never liked quota pacts; believes in efficient production of good-quality blends and strong promotion of coffee rather than the taking for granted that it has a predestined right to markets.

Still, Mejía's record indicates that he is not disinclined to the idea of an international agreement. Through the years Mejía, as manager of the semi-governmental Colombia Federation

Coffee in the hold

of Coffee Growers, has worked toward stabilizing coffee prices. More than once he has sought to halt increases that he knew would bring a wave of consumer resistance. Also, ever mindful of the problems of the producer, he has worked toward assuring the farmer an income commensurate with allowing his purchase of needed articles—to raise his standard of living and make him a consumer instead of a subsistence farmer.

In this vein, Mejía sees the need for an international coffee agreement—an agreement that would be negotiated and ready for application should an emergency arise which would send prices soaring or falling below a level insuring the aim of stability and progress in Latin America. Of the agreement, Mejía says: "I consider it very convenient to maintain the initiative alive to try to carry it into practice when it should be necessary."

Thus, he concurs with producers that an emergency does not now exist, but that a protective measure is a worthwhile goal. However, contrary to the opinion of several other producing countries, he sees the O.A.S. as the logical forum for discussing the means of bringing a permanent, stabilizing mechanism into existence.


From new methods


. . . Comes greater production.

THE COFFEE BANK ANSWER. Horacio A. Wheelock, Nicaraguan coffee planter and member of the Coffee Federation of Latin America, is more typical of representatives of producing countries in his degree of enthusiasm for an international coffee agreement. He has represented his country in many coffee conferences (Rio de Janeiro, December 1954; Puerto Rico, April 1955) and hopes that the forthcoming conference of the Federation in Mexico City, May 27-31, will lead to the resolution of the question of a comprehensive agreement.

Meanwhile, producers organized an agency (the idea for which began taking shape at the Puerto Rican conference last year) which may serve as a stabilizing mechanism in the interim or even become a part of an overall agreement. Officially termed the Oficina Internacional de Café, it has already opened a provisional office in New York and is awaiting ratification by the governments involved to go into full-swing operation. It proposes that each country contribute coffee according to its production. The Oficina will receive reports of producing countries on crop estimates and then decide what percentage should be reserved. Then if underproduction tends to send prices out-of-bounds, the Coffee Bank will sell what has been stored at fixed prices. "The objective of the Oficina Internacional de Café is to maintain coffee prices at a reasonable level, in order to protect the consumer as well as the producer," said Mr. Wheelock.

Producers, then, favor an international agreement. With coffee as their principal source of income, a predetermined, steady flow of dollars into their countries each year would be more healthy for Latin American economies; would eliminate the necessity of "fighting the market." Patently, the price would have to be just right, stabilized at a level that would stimulate increased coffee consumption in the United States—not only in numbers of consumers, but so that the coffee drinkers of today would brew a better (sic) heartier cup. It was also suggested that prices be standardized according to grade (highland coffee, 6000 to 7000 feet, is of higher quality than that grown in the lowlands).

For the most part, on one point

there is unhesitating agreement: whatever steps are undertaken should be at the initiative of the businessman, not the government. Summing this view for all, one producer said, "We're coffee growers, not politicians." And again, the Federación de Café de la América Latina was suggested as the suitable agency to negotiate since it represents the growers, and because it is independent. The need for governmental sanction, however, was acknowledged.

Thus as matters now stand, spokesmen for coffee producing nations in the O.A.S. strongly urge an international coffee agreement. Within the Industry itself, importers believe an agreement is unnecessary at this time, and in any case is wholly nebulous. To the producers it is an ideal, even a desirable goal, but one lacking urgency. Whether an orderly solution for the coffee problem can be devised within the Industry itself—without the intervention of governmental mechanisms—only time will tell.

NATIONAL COFFEE ASSOCIATION OF U.S.A.
120 WALL STREET, NEW YORK 5, N. Y.
TELEPHONE: WHITEHALL 4-8433

May 1, 1956

MEMORANDUM TO: Members of the National Coffee Association

FROM: John F. McKiernan, President

As you know, on April 18 of last year the N.C.A.'s Board of Directors went on record as being "...opposed to the United States government entering into any agreement with the coffee-producing countries which would hinder the free flow of coffee to the U.S.A. or control coffee prices." Since that date, we have reiterated this position on several occasions in addresses in this country and during meetings with government and coffee officials in Latin America. We have also made our position known to the U.S. Departments of State, Agriculture and Commerce.

Today, the U.S. government released its letter of April 27 which reported the position it has taken in regard to a proposal by the Inter-American Economic and Social Council of the Organization of American States that an international coffee agreement be drawn up between governments of the coffee-producing and coffee-consuming nations.

We are enclosing herewith a copy of this letter for your information and without further comment.

enc.

April 27, 1956

His Excellency
Sr. Don Amando Amador
Inter-American Economic & Social Council
Washington, D.C.

Dear Mr. Ambassador:

I refer to your letter of January 4th, 1956 transmitting Resolution 1/56 of the Inter-American Economic & Social Council relating to the report prepared by the Subcommittee of the Special Committee on Coffee in accordance with Resolution 34 of the Rio Economic Conference. The Resolution called upon each member government to inform the Council of its views regarding the conclusions of the report, and regarding the need for proceeding with the preparation of a draft coffee agreement on the bases outlined in the report.

My government has studied carefully the conclusions of the coffee report and finds the conclusions with respect to anticipated price trends somewhat at variance with the trends of prices which ~~has~~ have developed since the report was issued. Recent increases in the price of mild coffees make apparent the difficulty of forecasting supply, even for a short period, with any degree of exactitude.

The problem becomes increasingly difficult as forecasting is projected into future years. The U.S. shares the concern of coffee producing countries over the possibility that, within a few years, coffee output may be substantially increased, with the probable result of depressing coffee prices and the export earnings of several exporting countries for which coffee is a major export commodity. The high prices of the past few years have stimulated plantings, and as new trees come into bearing, supply may well exceed the quantity which can be disposed of, even in an expanding market, without some reduction in price.

The U.S. sees no ground for hope that this problem can be satisfactorily met through an international coffee agreement involving export quotas, buffer stocks and other controls; and the U.S. cannot undertake either to lead in negotiating such an agreement or to become a participant in it.

It is this government's belief that practical steps for dealing with this development, if and when it occurs, will have to grow out of a much fuller understanding of the world coffee situation than is yet available. There is still urgent need for more adequate and reliable statistical data, especially in producing countries, but also in importing countries, to provide a firm basis for current analyses and projection. There is also urgent need for more continuous expert analytical work in this field.

The U.S. urges that the producing countries enlist the aid of other appropriate international agencies for this purpose and that they cooperate whole-heartedly with them to this end. For its part, the United States stands ready to assist in whatever way it can in such cooperative efforts.

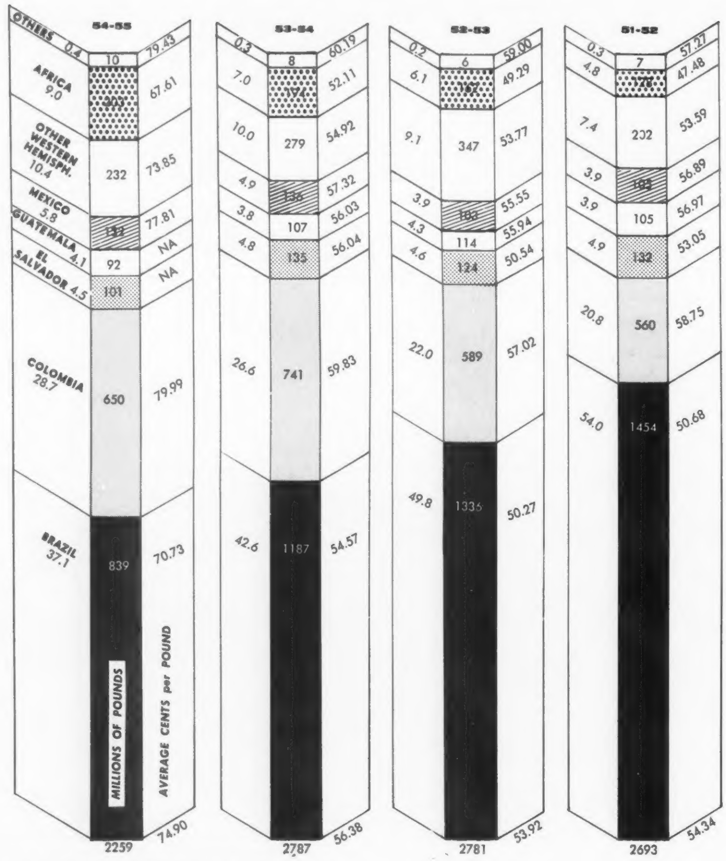
Sincerely yours,

Harold M. Randall
Representative of the U.S. on the
Inter-American Economic & Social
Council

U.S. Position

WHO FILLS THE U.S. COFFEE CUP

PERCENTAGE — POUNDS — CENTS



PAN-AMERICAN COFFEE BUREAU STATISTICS

Crop Year—July 1st-June 30
Prices—Spot Prices, N. Y. Market

NA—Not Available

THESE ARE THE MEN

EDITOR'S NOTE: Recently, eminent lawyers, jurists and cabinet ministers representing a cross-section of the Americas convened at Dallas, Texas for the Ninth Inter-American Bar Association Conference. Their purpose: to discuss and analyze certain common legal problems relevant to foreign trade and private investment in the Americas. LATIN AMERICAN REPORT, without editorial opinion, offers summarizations of some of the more outstanding papers.

Guiding conference affairs — the multi national Executive Committee in working session.

An unbridled opportunity to speak - - the first in twelve years - - brought Argentine jurists and lawyers out in full force.

Eduardo Salazar of Ecuador and Dean Robert G. Storey of SMU, who hosted the session, with honored guest, former President Hoover.

Honors accorded US Attorney General Brownell — the Order of Merit Lanuza being conferred by Cuba's Minister of Justice Comacho.

THESE ARE THEIR THOUGHTS

Trade and Taxation

Fiscal Action to Promote Trade and Investment in the Americas, *a report by Antonio Rosas-Sarabia for the Chicago Bar Association*

Since tax incentives have an increasingly important function in stimulating new investments and greater trade—thus industrial development—it is recommended that the various nations of the Hemisphere undertake the simplification and more equitable application of their respective tax systems through legislative action.

Countries seeking foreign capital must encourage investors by positive measures, removing impediments, albeit restrictions in currency exchange and import controls may be necessary periodically to maintain internal stability.

Countries seeking foreign capital should provide basic economic information: natural resources and people as a labor pool . . . as a consumer market.

Certain tax incentive laws have shown astonishing results in attracting foreign capital, for example:

Puerto Rico's Industrial Incentive Act of 1954, which provides
—a 10-year exemption from income taxes and property taxes.
—similar exemptions from excise taxes and others on products manufactured or assembled for sale outside Puerto Rico.
—streamlined administrative processes plus realistic help from the Economic Development Administration (training of personnel, procurement of plant sites—sometimes rent-free the first year) tailored to the individual needs of each investor.

Peru's Petroleum Law of 1952, which provides
—a 50-50 split on profits gained from exploratory oil operations between private companies and the government, in lieu of royalty payments.
—significant allowances for losses and depletion.

In view of the foreign income tax credits methods practiced by the United States, there is now a definite trend among various nations in the Americas to raise the level of their income tax rates to a point equal with that of the foreign investor's home country. This may constitute a tremendous mistake . . . investors must be reassured constantly that a local government will not tax his profits excessively.

Commercial Law and Taxation, *a report by Victor C. Folsom of the New York Bar.*

Latin American nations historically prefer indirect taxation . . . until recently, direct tax collections were relatively low by comparison.

Income taxation in the United States is based on citizenship and residence, as distinguished from the income source theory applied generally throughout Latin America. This fundamental difference has been the principal bar to effecting tax treaties.

—See Trade and Taxation, page 37

Natural Resources

Laws and Regulations Relating to Production and Transportation of Oil and Gas in Latin America, *a comparative study by Genaro Ruben Carrio.*

For the most part, mineral ownership in Latin America is based on the "royalty" (regalia) doctrine, rather than the "accession" doctrine which characterizes United States mining law. Accordingly, mines belong to the State; in some instances this ownership is inalienable.

Within the broad scope of this doctrine, the petroleum industry is regulated in accordance with a system of more or less strict State monopoly in the so-called "closed" countries, or in a system which permits private interests to participate in the exploration, development and industrialization of oil and gas, as in the "open" countries.

In the "closed" countries the degree of monopolization varies:

Brazil

A 1953 statute provides that prospecting for and developing hydrocarbons, the refining of petroleum regardless of source, and the transportation of oil and gas are State monopolies conducted through the *Conselho Nacional do Petroleo,* the policy making body, and *Petroleo Brasileiro S.A.,* the executory agency.

Chile

All hydrocarbons are reserved for the State under the Mining Code of 1932, which expressly prohibits the granting of concessions to private capital. Similarly, the development of petroleum has been reserved since 1930; the State-owned corporation, *Empresa Nacional de Petroleo,* was organized in 1950 to exercise the government's rights.

Argentina

Under constitutional amendment in 1949 inalienable federal ownership of all minerals was established, although previously concessions were granted for the exploration and development of hydrocarbons, as well as for the operation of pipelines. *Yacimientos Petroliferos Fiscales* was the governmental agency charged with direct development. The incumbent government has ratified the exclusive right of this agency to engage in the development of Argentina's petroleum.

Mexico

By statutory enactment of 1941, the exploration and exploitation of oil and gas is an exclusive right of government, although concessions can be granted for the transportation, storage and distribution, refining of gas and the processing of artificial gas; obtained from the Secretariat of National Economy by Mexican concessionaires. In actual practice, production too has been developed through government's organ Pemex (Petroleos Mexicana) contracting with both foreign and local concerns to undertake production.

In the so-called "open" countries private individuals or concerns are authorized to participate in the several developmental phases of the petro-

—See Natural Resources, page 37

An examination of existing corporation laws in various Latin American countries reveals certain similarities and differences pertinent to current operations of foreign corporations, inclusive of the following:

Argentina

—The legal existence of foreign corporations organized in accordance with the law of the country of origin is recognized; rights and duties of shareholders are subject to that country's laws. Transactions involving third parties, however, when contracted or performed in Argentina, are subject to Argentine laws.

—Foreign corporations are not obliged to comply with special requirements as to their capital.

—In general, foreign corporations may engage in the same activities as domestic corporations except those in the fields of insurance, banking, internal air transportation, and coastal shipping, which are subject to specific regulation.

—Subsidiaries of foreign corporations organized in Argentina are subject to the laws regulating domestic corporations, especially as pertain to minimal numbers of organizing members, amount of paid-up capital, and life tenure.

Brazil

—In order to operate in Brazil a foreign corporation must present to the government a certifed copy of its character and by-laws, a list of stockholders of record, its latest balance sheet, stockholders' resolution authorizing operations in Brazil, and a power of attorney appointing a representative in Brazil with full managerial powers; moreover, the entire amount of capital to be devoted to operations in Brazil must be deposited in a local bank inspected by government.

—In general, foreign corporations may engage in the same activities as Brazilian corporations with the exception of all activities related to the production and transportation of oil and gas, which are government monopolies, as is the development of hydroelectric power; further, the exploitation of minerals, and the mining of atomic energy substances are strictly controlled. There are also special nationality regulations related to the fields of insurance, fishing, journalism, radio broadcasting, coastal shipping and air transportation.

Chile

—Foreign corporations intending to establish permanent branches must obtain authorization from the President of the Republic, toward which end the usual documentation must be filed. Isolated legal acts, however, inclusive of participation in litigation can be undertaken without formality.

—Certain corporate activities are subject to special regulations: in insurance, two-thirds of the subscribed capital must be held by Chileans, or foreigners domiciled in Chile; further, the government retains the exclusive right to import, distribute and sell oil.

—Foreign corporations are entitled to obtain bank loans and issue bonds for funding subject to explicit regulations: main source of business in Chile, the presence of a Board of Directors cloaked with adequate authority, and pledges of goods or immovables in Chile to secure the bonds.

Colombia

—In order to operate in Colombia, a foreign corporation must submit the usual documentation validated by the Colombian Consul in the country of origin; in addition, register with a notary in place of business, appoint an auditor and a local manager cloaked with sufficient authority. Account books must be kept in Spanish in terms of Colombian currency converted at the official rate of exchange.

—In the alternative, a United States subsidiary can be organized, then registered to do business in Colombia. Board and stockholders' meetings can then be held in the subsidiary's home office in the United States.

—The fields of banking, oil, insurance and air transportation are all subject to special regulation.

—Colombian creditors, or others domiciled there, have prior rights over assets possessed by a foreign bank in Colombia.

—At least 10 percent of annual corporate net profits must be set aside to form a reserve equivalent to 50 percent of the corporation's subscribed capital.

—The Foreign Capital Statute of 1951 authorizes unrestricted entry of foreign capital in the form of foreign exchange; or industrial, agricultural or mining machinery and the subsequent withdrawal of that capital. The withdrawal of earnings, however, is limited to those realized from the use of imported capital; earnings, realized by foreign enterprise on funds acquired in Colombia are not subject to withdrawal.

Costa Rica

—No minimum capital requirement; no stamp or capital tax.

—No restraints on foreign corporations, as compared with domestic.

Cuba

—No minimum capital requirements, although a statement of the financial scope of the foreign corporation's probable activities must be filed.

—No restraints on activities, subject to the law of the country of origin which is controlling.

—The law of the principal domicile of the foreign corporation governs its finances and operations.

Nicaragua

—Foreign corporations to operate must file the usual documentation, and must appoint a permanent agent cloaked with the necessary authority.

—There are no discriminatory restrictions on activities, as compared with domestic corporations, i.e., restraints over oil, mines, forests or public utilities apply equally.

—Domestic subsidiaries of foreign corporations are subject generally to domestic corporations' regulations: half the capital must be subscribed, of which 10 percent payable in money must be in cash.

Peru

—Subsequent to approval of the usual documentation and appointment of an attorney-in-fact, who need not be Peruvian, foreign corporations are regulated identically with domestic.

—If a Peruvian subsidiary is established, in capitalizing all shares shall be nominative until payment of 50 percent of the nominal value, after which they may be converted into bearer shares at the corporation's option.

—Notwithstanding the "rule of equality," for reasons of security and to promote Peruvian investments, foreigners are not entitled to acquire ownership of land, water, mines or combustibles within 50 kilometres of the border, subject to forfeiture.

—Foreign corporations must employ at least 80 percent Peruvian nationals.

—Foreign corporations, though domiciled abroad, whose income was derived from business operations in Peru, are subject to local income tax.

Venezuela

—Aside from a specific capital allocation of its own determination, for local operations, there are no minimum requirements.

—As regards financing and operations, the law of the principal domicile controls.

—In order to organize a domestic subsidiary, a foreign corporation need only issue a special power of attorney to one person; a minimum of two incorporators is required.

The crediting of foreign income tax returns has induced certain countries to raise their tax rates to an equivalent level; a possibly ill-advised move.

H. R. 7725 now pending in the United States Congress—which is the Administrations's new tax bill aimed at reducing the *rate* applicable to foreign source income—is designed to alleviate this tendency. In its present form the bill will benefit very few companies doing business overseas; is far from being a perfect solution.

Consideration of Uniform Draft Law Regulating Foreign Corporations, *a report by a special committee of the American Bar Association.*

Notwithstanding basic complexities related to the actual scope of a uniform law regulating foreign corporations, the reconciliation of basic distinctions between civil and common law, and the determination of whether or not such a law is desirable for all Latin American countries in view of meaningful differences in political-social-economic developments, a uniform corporation law is within the realm of possibility.

A model law as a drafting guide for statutory revisions in each country appears not to be the most practical approach to uniformity; in all likelihood each country would tend to preserve existing peculiarities by deviations from the model.

Multinational conventions apparently cannot provide a solution since the United States has consistently refused to enter into treaties concerning matters of private law, which under the federal constitution are reserved to the states.

Unilateral legislative action—predicated on the problems and difficulties faced by United States corporations in Latin America—is the only course to be followed in the near future. This appears to be the most expenditious way for Latin American countries to encourage investment by foreign corporations.

Among the problems encountered by foreign corporations in Latin America which might be obviated by local legislation are the following:

—Exceedingly complex procedures for registration of a foreign corporation.

—The requirement of special authority for the attorney-in-fact of a foreign corporation to represent that corporation in court proceedings.

—Denial of the right of a foreign corporation to own land incidental to corporate business.

—Susceptibility to revocation of the corporation's permit to "do business" by an administrative officer rather than by judicial process for trifling infractions of technical rules.

leum industry through various types of concessions. Notwithstanding this, even in the "open" countries the whole petroleum industry is regarded as a matter of public interest. In consequence, a concessionaire has the right of condemnation as against the surface owner under certain circumstances, the surface owner cannot absolutely prohibit surface exploration, the concessionaire is subject to close control by the State, which among other things has the right to transport its own oil through the concessionaire's pipeline and to purchase his installations upon termination of the concession.

The types of concessions ordinarily granted by the State are for Exploration and Exploitation: usually grants the exclusive right to explore a designated area for a limited time, and to develop all hydrocarbons discovered subject to various production regulations. This concession nominally conveys also the right to refine, manufacture and transport oil and gas produced by the concessionaire.

Exploitation: essentially the same except that it pertains to lands previously granted in concession rather than unexplored lands.

Manufacturing, Storage, Transportation: usually granted for a limited time, these concessions do not necessarily convey an exclusive privilege. In the case of transportation, the concessionaire usually is obligated to act as a common carrier. Necessarily there must be provisions determining the establishment of rates, a system of priorities, liabilities of the concessionaire, and the rights and duties of third parties whose oil is transported.

These several concessions are subject to termination upon expiration of the agreed term; but in addition, for renouncement by the concessionaire, or his failure to perform the minimum work required, or to invest to the extent agreed. Upon termination the installations usually revert to the State; so far as the area is concerned, it is either reserved or granted in a new exploitation concession.

So far as taxes are concerned, the oil and gas field appears to be developing its own body of tax regulations; the apparent trend is that of the 50-50 profit-sharing system.

As regards the several non-producing nations, the body of oil and gas is assuming definition, as follows: Costa Rica, no specific rules but apparently "open," judging by recent contracts for exploration and development; Dominican Republic, now drafting new legislation on hydrocarbons; Haiti, a 50-year exclusive concession granted covering the entire country; Honduras, contracting with private concerns for exploration and exploitation; Nicaragua has imposed certain restrictions on the discretionary power of the Executive and Congress in the terms granted private parties; and Panama and Paraguay, both "open" countries, albeit the latter has reserved a large territorial area.

The Doctrine of the Continental Shelf, *a report by a special committee, chaired by Joseph Walter Bingham.*

The problem of jurisdiction over continental shelves, which has been a matter of concern to coastal States for more than ten years, has been heightened by the claims of certain national jurisdictions for resources of the sea out to a 200-mile limit.

Notwithstanding the political overtones to controversies on this matter, there is now an urgent economic need for various legal devices that will effectively conserve sea resources against unrestrained exploitation.

The International Law Commission of the United Nations, in seeking to codify law pertaining to the sea, has drawn up a draft doctrine on the Continental Shelf, submitting an auxiliary seaward jurisdiction beyond territorial waters. The objections voiced have not been directed toward the seaward jurisdiction, but rather that it does not extend coastal state jurisdiction far enough beyond territorial waters which is important in the fishing industry, and that the existence of a continental shelf should not be the criterion for extended jurisdiction since many States lack a continental shelf extending beyond their commonly conceded territorial waters. Pacific coastal States of Central and South America voice this especially.

Progress and technological develop-

ment have prompted broad changes in of coastal state jurisdiction in war or sea law; the three-mile limit now has little juristic value as a just measure peace.

Coastal jurisdiction may be catalogued roughly as: (1) belligerent versus neutral interests, a phase now diminishing rapidly; (2) protection of infraterritorial interests aganst damaging invasions from the sea, e.g., customs control, damaging effects on territorial fishing; (3) coastal state control over the use of the sea-bed and subsoil, and their resources, including the continental shelf; and (4) coastal fisheries.

In pursuance of ideas expressed on the Juridical Status of the Continental Shelf at the Sao Paulo Conference, these conclusions were reached:

—The doctrine of the Continental Shelf is concordant with the practice of coastal states.

—This doctrine is favorable to the interests of all the Americas; it did not develop originally in connection with the exploitation of minerals of the sea-bed and subsoil. It arose in connection with claims for jurisdiction over coastal fisheries.

—The most contentious juridical and political problem associated with the Continental Shelf doctrine is that of coastal state jurisdiction over fisheries.

The categorical Anglo-American three-mile doctrine limiting coastal state jurisdiction is not and never has been concordant with the practice and opinions of a majority of coastal states. These problems of the continental shelf and coastal fisheries should not be labelled prejudicially as problems of preservation or of restriction of freedom of the seas, which is not a definitive principle of international law or politics.

It is suggested therefore that there has never been a positive conclusion in international law denying to the coastal states jurisdiction beyond their territorial seas to protect their fisheries. Since international law neither denies nor justifies, it permits such extraterritorial jurisdiction.

a look at the new Books

Venezuela: Land of Opportunity

By Alfred P. Jankus & Neil M. Malloy
Pageant Press, Inc., New York
(*English*), 1956, 250 pages, $5.00

In a few short years, Venezuela has won itself the reputation—intentionally or not—of being the modern-day El Dorado of the Western Hemisphere. To introduce businessmen, potential residents, vacationers or just armchair travelers to this bustling, boisterously wealthy land is the purpose of this book.

And a very apt introduction it is. Authors Jenkus & Malloy, both of whom have lived many years in Venezuela, know their country intimately. With candor, understanding and pages of up-to-date statistical data, they have Venezuela model her charms, and faults, from every angle.

Here the reader learns her dimensions in terms of history, geography and economics. He is provided with tables detailing industrial and manufacturing production of assorted resources and goods. Pages of factual text offer current information about employment (jobs are not going abegging), salaries (high but not astronomical), currency, education, cost of living (pork chops: $1.20) pound and social activity.

But for sheer reading enjoyment, Mssrs. Jankus & Malloy are at their best when discussing Venezuela's culture and customs and its impact upon the foreigner—or vice versa.

With a penetrating but impartial eye, they have probed into everything from the Venezuelan's outlook on sex to his sense of humor and enthusiastic adoption of "béisbol". All this is recorded factually but with a feel for the amusing.

Perhaps more than anything else, *Venezuela* succeeds in clearing some of the clutter of misinformation and rumor which has collected about the country since it came into prominence a decade ago. True, opportunities exist there, but it is not an open frontier where the adventurer or fortune-hunter can amass himself an ostrich-sized nest egg overnight.

Historians and researchers will find this work a comprehensive, authoritative source, particularly of current data. For the man in the street planning to invest, settle down or just visit in Venezuela, here is a 250-page companion which can be a trusty guide.

Latin America and the United States

By Graham H. Stuart
Appleton-Century-Crofts, Inc.,
New York
(*English*), 1955, 461 pages, $6.00

Addition of colorful maps plus several chapters of information to provide heretofore missing links makes the fifth edition of this book, which has been a basic textbook in Latin American political science courses, doubly valuable.

Presented through the eyes of a political analyst, this volume presents Latin American situations and developments in relationship to the United States—how they affected the U.S., or how their neighbor to the north influenced these developments.

Liberally documented, a student of any one phase of the growth of Latin America will find valuable lists of supplementary reading at the close of each chapter. The book is written in such a way that the casual reader who wants to read any one or two chapters of special interest will find that each chapter can stand alone and need not depend on what has gone before or what follows. On the other hand, there is a basic thread of continuity that makes the volume a thorough study for those who wish to read systematically from beginning to end.

Emphasis is on recent developments and the new outlook in inter-American relations, with historical data used only insofar as it is necessary to interpret or provide a background for

recent events.

Reviewing the Good Neighbor Policy of the United States, the book closes on the optimistic note that "the American republics are establishing security successfully by compromise and cooperation."

Problems of Democracy

By Galo Plaza
The University of North Carolina Press, Chapel Hill
(*English*), 1955, 88 pages, $2.50

The author, president of Ecuador from 1948 to 1952, who helped to reverse the long chaotic political traditions of that country by filling out his term and ruling democratically, believes that the Americas are growing closer.

His little volume, comprising three lectures he delivered at the University of North Carolina, proclaims his optimism.

In the course of the volume Galo Plaza attempts to answer, at least in part, these questions: What has to be contrived so that the Americas can play the part that destiny has preordained for them? How can the United States, as a world leader, fully assume the role of guardian of the people's ideals that inspire the American way of life?

Should not the other half of the hemisphere, what is called Latin America, be a militant and powerful ally in the great crusade against the forces that seek to undermine our spiritual values? Could not the whole hemisphere constitute an inner bastion for democracy?

Galo Plaza relates in a semi-personal fashion how he, as president of Ecuador, conducted what he terms an "experiment in true and militant democracy," how the experiment did not blow up in his face even though he was dealing with supposedly explosive elements—poverty, and a record of political instability, among other things. The former president describes his struggle with these diverse elements and what he learned from his "experiment in democracy."

Drawing on his Latin American background and his experience as a student and diplomat in the United States, Plaza compares North America and Latin America and concludes that "our destiny" is one of "interdependence and integration". He quotes freely from the documents of the Tenth International Conference of American States held in Caracas in 1954, which point out the problems of a social-economic nature that are being faced by the countries of Latin America, the lack of well-planned action in opposition to communism, and possible action by the United States to alleviate these conditions.

Galo Plaza suggests that if action is taken by the United States to eliminate customs barriers, double taxation, and unfair treatment in the fixing of prices, unity within the hemisphere will be strengthened and we can present to communism a united front—a way of life based on dignity and democracy.

One interesting observation many Latin American readers may make of this book is the fact that Plaza, contrary to the beliefs of military leaders in Latin America, voices a firm conviction that people of the Latin American nations are ready to live under democratic form of government.

"Democracy is no longer the responsibility of individuals as such," he said, "or of nations separately; it is the responsibility of convening efforts in our interdependent world. Our errors in Latin America are no longer our own alone, from now on they will be the collective responsibility of all the hemisphere."

Señor Plaza's education and career reflect his broad Pan American interests. Born in New York City of Ecuadorian parents, he was graduated from the Colegio Nacional Majía of Quito in 1925 and continued his studies in the Universities of California and Maryland and the Georgetown School of Foreign Service. He began his public-service career as attache of the Legation of Ecuador in Washington in 1930. He was thereafter successively mayor of Quito, minister of national defense, ambassador to the United States and president of Ecuador. While ambassador to the United States, he was the Ecuadorian delegate to the Chapultepec Conference in 1945 and the United Nations Conference at San Francisco in 1945.

Naval Power in the Conquest of Mexico

By C. Harvey Gardiner
University of Texas Press, Austin
(*English*), 1956, 219 pages, $4.95

A new and unique approach to the old, historical drama of Hernando Cortes leading his Spaniards into Mexico is found in this volume.

For generation after generation the reading public of the United States has trudged through Mexico with Cortes and his followers. From successive tellings of the conquest, whether sixteenth-century fact or the histories and fictions of later centuries, plus all the borderline interpretations, certain common denominators have emerged.

There are always the heroics of supermen—daring and imaginative leaders, courageous and tireless followers, swashbuckling swordsmen, reckless horsemen. Ever present is the high drama of odds faced, treachery averted, victories gloriously won. From begining to end this has always been a story of soldiers—infantrymen, cavalrymen, artillerymen, led by the greatest soldier of them all.

An important angle heretofore overlooked is the fact that hundreds of miles from the sea a prefabricated navy was built and a climactic battle took place on waters that now scarcely exist. Gardiner's book relates the naval phase of a fighting story which previously has been peopled only by soldiers. Here, in this volume, is added another dimension to the drama of Spanish conquest of the New World, and to Cortes himself as a military strategist.

Four centuries before the term was coined, Cortes, in the key years of 1520-1521, used the technique of "total war". He was able to do so victoriously primarily because of his courage in taking a gamble and his brilliance in tactical planning. But these qualities might have signified nothing without the fortunate presence in his forces of a master shipwright, Martin Lopez.

Cortes, Lopez, and the many other participants in the venture of creating and using a navy in the midst of the New World mountains and forests are seen as real personalities, not embalmed historical stereotypes.

Dr. Gardiner has made a thorough research of letters, court records and other contemporary documents. One particularly interesting section of the book is that in which he compares this naval feat of the Spaniards with other maritime events from ancient times to the present.

The full documentation, copious notes and bibliography make it evident that the author spared no means to answer the question which must have been paramount in his mind: "What little fighting ships and minor men of early Latin America have been consigned to the oblivion of historical neglect?" Dr. Gardiner produced an answer worth reading.

Around the Hemisphere

TEN-TO-ONE ODDS. Stepping graciously to one side, Generalissimo Rafael Trujillo murmured that his name would not appear on the ballots in the Dominican Republic's forthcoming election . . . but, that brother Hector hoped to be returned to office as president, and that son Rafael, Junior, was his running mate. Maybe with just a little help . . . !

THE TWAIN SHALL MEET. To foster closer ties through better understanding between areas geographically and culturally remote from each other, the Arab-Latin American Cultural Institute in Buenos Aires is now entertaining plans for a Latin American Congress of Arabian Culture.

Somewhat in the same vein, albeit not so far away, the Peruvian Cultural Institute at Lima also is undertaking various studies to promote greater understanding. Their objective: certain cultural facets of the United States--for advanced students of English.

SUSAN B. - CAN YOU HEAR THIS? For the first time, women in Honduras will be allowed to vote, having just been enfranchised by a new electoral law. With them it's optional, but for men -- compulsory.

ENOUGH IS ENOUGH. Goaded beyond endurance, the regular commuters from a Rio suburb turned to one morning . . . systematically set the railroad station afire, burned all the records. The reason for this flare of temper: their regular train failed to arrive.

BEETHOVEN AND BULLFIGHTING. On May 1 the New Orleans Philharmonic-Symphony Orchestra returned after a month-long tour which took them to 21 cities in Latin America. Enthusiastic audiences all over, many of them hearing--and seeing--a big symphony orchestra for the first time, demonstrated their gratitude to the orchestral ambassadors with standing ovations, "Bravos," and stamping feet--at times before the last note of a selection sounded. Conductor Alexander Hilsberg was not annoyed. "You must remember that these people are music lovers; they don't come because it's the thing to do," he said following a mid-morning concert in Mexico City which ended after 3 encores--and only then because the bullfight hour was approaching. The first symphony tour ever conducted by a United States orchestra in Latin America was an unqualified success.

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